A USEFUL LOOK AHEAD FROM WASHINGTON NOVEMBER 1968

Nation's Business

The real cost of living with a union

How to woo and win industry

Your credit card's secret service



PAGE 52


PONTIAC

This is a rental car?



This is a rental car!

Granted, not just any rental car. It's a going piece of sporting machinery known as the 1969 Firebird 400. From Pontiac.

With 400 cubic inches of V-8. 330 horsepower at 4800 rpm. 430 lb.-ft. of torque at 3300 rpm. 10.75:1 compression ratio. 4-barrel carburetion. Heavy-duty, fully synchronized 3-speed transmission with Hurst shifter. Dual exhausts. Redline wide-oval tires. Pontiac's famous Wide-Track stance. And an extra-firm suspension.

Now we obviously aren't going to recommend Firebird 400 to just anyone who comes to town for a vacation with the wife and five small kids. Something more family-oriented would be appropriate. Like a Pontiac Bonneville, Catalina, LeMans, Tempest or even Grand Prix.

But we know that there are a lot of men who travel in rented cars—and who have Firebirds waiting in driveways back home. And the idea of renting anything else on a trip is, at best, disappointing.

We also recognize the traveling, Mitty-type swinger. He doesn't own a Firebird. But he sees himself—oh, so clearly—in that left front bucket. With a hood-mounted tach out front, and his hand on the knob of the close-ratio 4-speed. (Both can be ordered on Firebird 400.)

Which is why we recommend Firebird 400 as a rental car. Just in case you happen to belong to either clan.

You see, we can't find a thing wrong with indulging you a bit.

Maybe that's why we're in such demand at rental car counters.

1969—Your year to break away with Pontiac.

Nation's Business

November 1968 Vol. 56 No. 11

Published by the Chamber of Commerce of the United States
The national federation of organizations representing
5,000,000 companies and professional and business men
Washington, D.C.

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WHAT CONSUMERS WON'T BUY

BY TAIT TRUSSELL

You just can't trust the public. Or so it now seems to some of Washington's most discerning economic policy-makers.

Their latest disillusionment results from the thoroughly unreliable behavior of Americans in the wake of this year's tax increase. The surtax was supposed to slow down the panting economy so it could catch its breath. It was supposed to snip off inflation as if it were a wart. And it was supposed to prove to foreigners and natives alike that federal officials were responsible and the dollar would be preserved. The tax boost was supposed to do this by trimming Americans' spending.

But most people weren't aware of how neatly they were to fit into the federal forecasters' econometric models. So many of them haven't behaved as they were programed.

People had heard all the Washington officials' black predictions over the economic disaster that would ensue if the surtax were not enacted. So when the surtax became law last summer, many Americans thought the storm had safely passed, so they could now go out and spend as usual.

Since citizens were saving at a record rate, all they had to do was to cut back their saving to a more normal amount to completely wipe out the effect of the surtax. Every percentage-point drop in the savings rate means a rise of about $6 billion in consumer spending.

Or it could be that during the drawn-out debate over the tax boost some families adjusted their spending plans in anticipation of the outcome.

In any case, the dollars are still flowing into the economy despite the know-it-all predictions from Washington and elsewhere about what people would do.

The fact is, the American consumer has become an unpredictable cuss. And this is important because his behavior and decisions will have a special impact on the economy at this time. Not just because the consumer spends the lion's share of what is spent, as compared to outlays by business and government. And not just because consumer income has been rising at the rate of over $5 billion a month. That's enough, incidentally, to wipe out the impact of the tax rise in a mere two months.

There is another reason why consumer spending is now so important. As pointed out recently by William C. Freund, vice president and chief economist of the New York Stock Exchange, "The economy is about to undergo a profound change." As he noted, what fueled the boom in recent years has been capital expenditures by business and the spurt in military spending.

Now, it looks as if consumer spending, particularly for housing and everything connected with it, will be the key propellent for the economy next year.

This was not clear to the economic sages along the Potomac or apparently to anyone else until recently. Most people even in the construction industry were looking for a slowdown.

First, construction material prices have been skyrocketing. Material price increases of between five and six per cent in the past year added about $500 to the sale price of an average house. A rise in the cost of labor at six to 10 per cent added another $300 to $500 to the sale price. The rise in the value of land added another $450 to the price tag of a home.

Then there were problems of financing. The typical 5¾ mortgage of 1965 had become the seven per cent loan, when you could get the money.

But as Michael Sumichrast, chief economist for the National Association of Home Builders, notes, "the consumer appears to be taking the cost increases in stride."

An indication of how determined people are to maintain a high standard of living was the

Tait Trussell is managing editor of Nation's Business.

amount of increase in installment debt this summer, the biggest jump in a generation.

It now seems probable that a real estate boom is in the making. Here are the major reasons why:

Real estate activity has been relatively sluggish for a longer stretch than at any time in our history. It has been more than 20 years since the last peak in activity, as measured by real estate transfers in relation to the number of families. So an upward movement is overdue.

Since the start of the '60's more than 800,000 persons each year have moved from the farms to the cities. This has put an increasing demand on urban housing accommodations.



At the same time, under urban renewal programs the federal bulldozer has plowed under thousands of decaying dwelling units in the cities.

Though the U. S. birth rate is at a low ebb the number of people in age brackets who purchase the most houses is now increasing rapidly. This rise in the middle-age house hunter should further stimulate demand.

When Viet Nam ends, returning servicemen and their new families will put added pressure on the housing market.

The marriage rate is now high. Weddings are approaching two million a year, considerably higher than the 1.4 million level a decade ago.

The vacancy rate is now at the lowest mark in some years, too.

Another weathervane is real estate stocks. Such stocks on the New York Stock Exchange have gone up sharply, indicating a movement largely influenced by informed investors who foresee real estate in an upward drive.

A brighter outlook is forecast for residential construction financing for next year. The shift from a $25 billion federal budget deficit to a $5 billion deficit means Uncle Sam won't be in frantic competition with mortgage borrowers.

But consumers' current shopping spree, ranging from sports cars to sportswear, may slacken some next year.

The surtax could have an eventual impact on how much people spend. They aren't likely to continue to dip deeper into savings each quarter as they did the past quarter. Besides having money withheld for taxes, Americans will have to fork over about $1.5 billion next spring to clean up their 1968 tax liabilities that are due from April but only were withheld from July. Moreover, social security taxes will rise again in 1969, by another $3 billion.

Though incomes are rising, inflation continues to force up price levels. Also consumers are adding to their installment debt at an annual rate close to $8 billion. It can't be expected to go much beyond that.

The multiplicity of demands for federal revenue ranging from warfare to welfare apparently will gobble up tax revenues about as fast as even a robust economy can churn them out. So more and more it appears doubtful that the surtax will be allowed to die next summer. Thus the need for funds and whatever restraining influence there is in the extra taxes will likely continue.

On the other hand, the latest consumer attitudes as measured by the University of Michigan's Survey Research Center reflect little concern over the surtax. Reportedly only one in eight taxpayers says that the higher tax makes any difference in his spending or saving plans.

Any slowdown caused by the drag of taxes and the companion cuts in federal spending probably won't result in widespread layoffs either. Most employers have been plagued by manpower shortages. So they are likely to hold on to employees even if their volume falls, particularly if they expect the slowdown to be temporary. So high employment will help keep incomes high.

The affluent consumer today is liable to take for granted the utilitarian aspect of the product he buys. He expects it to work and work well. What will appeal to him more and more will be its design and distinctiveness. And as Alfred Eisenpreis, vice president of Allied Stores Corp., observed recently, "The key word, from head to toe, for all ages, male or female, is 'fashion.' "

People want to be distinctive individuals. This deep-seated desire certainly is reflected in their dissent and disenchantment with restrictions and conformities ranging from big government to big universities.

Americans will continue to buy mini-skirts or city pants and invest in beach cottages or fly to Virgin Islands, according to their own taste and judgment no matter how theoretically accurate Washington's forecasters program consumers' behavior on their econometric models.

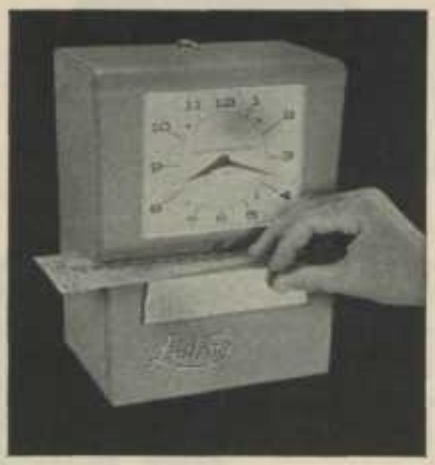
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Business opinion:

Struggle was worth it

• "Was the Struggle Worth the Cost" [September] offered me yet another chance to track back to source (one of them) the stream of misinformation disseminated by untutored reporters. The account given in your journal of contemporary Britain might probably please some of your readers but your paper does scant justice to international goodwill or unbiased news gathering.

One requires little skill to be sensational and misleading—as the author of the article shows—by taking facts out of context. The number of misleading comments in the above titled article is too numerous to list but one or two of the glaring examples are worth commenting on for the sake of better understanding between Anglo-American businessmen.

Take immigration—one of the subjects mentioned; Britain always had a net outflow of people, just think of the continuing stream to North America for the past 300 years. The British Embassy in Jordan may have been vacated without much decorum, as you suggest, but neither the Americans nor the British enjoy special dispensation from burning or damaging our embassies in certain countries from time to time.

On investment, always a good polemical standby, the British have probably just as much money invested in the States as have the Americans in the United Kingdom. The earnings of some American corporations would look very sick without their overseas income. In fact most corporations earn more abroad than at home—for the simple reason that they are starting their something special or exploit a new opportunity. So—Americans have no prescriptive right to claim special talents in this field. As to the price of the dollar—this is probably overvalued as movements in the price of gold have indicated this year. As the United States is catching the English disease of an unfavorable balance of payments, the revaluation of the dollar cannot lightly be taken off the agenda.

NICHOLAS A. H. STACEY
Director
Chesham Amalgamations & Investments Limited
New York, N.Y.

• The article describing the scene in Britain today reads like that of a petulant novice journalist who has been rebuffed at his first interview.

Of course the struggle was, and is worth the cost. Certainly Britain is having her economic struggles. Certainly she no longer has an empire, but remember the way she withdrew with grace.

As for the young Britons walking around with long hair and dirty feet, is that really important news to your readers? When the Alamo was being defended (and the British were well represented there) I

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NB 11

am sure that nobody worried about dirty feet and long hair.

ANTHONY HANNAVY
Elmhurst, N. Y.

Operation Shakedown

• "Operation Shakedown" [September] may well have been an accurate reporting of recent events. No past injustice can justify such intimidation by any race or special interest group. However, you failed entirely to report that such "shakedowns" are presently practiced by special interest groups other than the blacks.

You also neglected to ask how many of the merchants so intimidated in recent weeks have ever sponsored a Little League team in their business community or given their time and enterprise to the local Boys Club. Good citizenship, gentlemen, is a two-way street.

WILLIAM B. LYNCH
Domestic Subsidiaries Div.
Coca-Cola USA
Atlanta, Ga.

• Extortion by blacks is bad enough but what I'm really worried about is that some whites across the country may hear about this practice and form an organization with some silly name like "The Mafia" and operate on a nation-wide basis.

Thank God it will never come to the point where policemen will sell tickets to policemen's balls that merchants would not be expected to attend or that they would ask for special cut-rate prices on merchandise because they are protecting the businessmen from burglars and extortionists.

REV. JOSEPH C. SULLIVAN
St. Patrick's Rectory
Roxbury, Mass.

Retiree likes book

• A thousand thanks for the item referring to "The New Guide to Happy Retirement" by George W. Ware ["Executive Trends," September]. Every industrial organization should place this book in the hands of a future retiree as a going away present.

WILLIAM HALEY
Belleville, N. J.

Gadgets hide poverty

• I was distressed with the shallow editorial "Even the Have-Nots Have" [September]. In my opinion, this type of narrow-minded hogwash has no place in today's NATION'S BUSINESS.

The poor of America are con-



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Shifting gears was never more automatic than with Chevrolet's 3-range Turbo Hydra-matic. It's now available with both Sixes and V8's.

Go on, look at all the others. Then come back and look again at the '69 Chevrolet. If we don't have what you want in a fleet car, maybe what you want just isn't a car.

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sumers like the rest of us, and they are often victims in a sophisticated marketplace.

Restraint may be needed, but it isn't only the poor who need to be restrained.

American business is at least partly responsible for this very situation.

Certainly the great advertising and credit financing industries of America barrage everyone with helpful ideas on what to buy and the oh-so-easy credit terms that are available.

I don't find it inconsistent that an American family can live in poverty and still own a television set, vacuum cleaner, washing machines, refrigerator, automobile and numerous other consumer gadgets.

The point is, you don't eliminate poverty with gadgets, you disguise it.

Poverty is eliminated through education and jobs and good housing and an understanding of the problem.

WILLIAM T. MURRAY
Executive Vice President
Greater Fitchburg Chamber of Commerce
Fitchburg, Mass.

Industry shares concern

• Your series of articles titled "Industry Cleans Up" [September] was a remarkably thorough review of the positive aspects of this important issue.

Certainly pollution in all its forms is an awesome problem. I think that most of us in industry share the concern that our waters must be protected, the air must be kept clean, the landscape must be freed of solid waste.

W. H. FIEWEGER
Vice President
Kimberly Clark Corp.
Neenah, Wisc.

Sticky subject

• Your writer may know all about the Food and Drug Administration but he doesn't know a damn thing about peanut butter ["Uncle Sam and the Nutty Solution," September].

"Old-fashioned peanut butter" is still sold and is still far and away the best . . . best in taste and best in consistency. Furthermore, an obliging nut shop will usually be happy to grind the nuts to your own specifications.

BOWEN KERRIHARD
Vice President
Mort Linder and Associates
South Bend, Ind.

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Executive Trends

- Driving dangers
- Marketing a spin-off
- If he has everything

Holiday driving liabilities and solvency

Everyone knows the traffic laws. At least the written codes you must study to get a driver's license.

But how about those two unwritten laws that determine "negligence"?

Was the accident your fault—or the other guy's? To decide, judge and jury apply these two yardsticks, Research Institute of America, Inc., New York 10017, points out.

One is the doctrine of the "reasonably prudent man." He's an ideal who never makes a boo-boo while at the wheel.

If you were less prudent than he, you may be culpable.

The other legal yardstick is that of "proximate cause."

Was it your action, and yours alone, that led directly to the injury or accident? If not, then you may be off the hook—at least in part.

It's a fine line to draw. But a lot can hang on it. If you're "negligent," and damages exceed your insurance coverage, you can face financial disaster.

It's what you don't know that can hurt you, the Institute points out, in its pamphlet, "Auto Safety."

The theorist's role —and the manager's

Decide what to do—and get it done.

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This is the definition one speaker gave to a blue-chip audience at the forty-fifth anniversary convocation of the American Management Association.

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TO GREET—to know their competitors better.

TO KNOW—to learn better methods and procedures in their own business.

TO GROW—personally, through contact with others having problems even larger than their own.

TO GIVE—members benefit in proportion, they said, to what they put in—ideas, cooperation, participation.

TO RECEIVE—all of the values of cooperative study.

TO PLAN—through discussion of industry conditions.

TO IMPROVE—association activities help to promote better services, and to eliminate poor ones.

TO PROTECT—through understanding of government regulations and proposed as well as existing legislation.

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EXECUTIVE TRENDS

continued

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From 1951 to 1965, he notes, the number of U. S. patents rose from 39,600 a year to 50,300. A survey covering the same period shows the number of patents granted in Belgium, France, West Germany and Sweden shrank from 42,600 a year to 28,100. In fact, by 1965, one fourth to one third of new patents in those lands went to Americans.

STATEMENT OF OWNERSHIP

STATEMENT of ownership, management and circulation (Act of October 23, 1962; Section 4369, Title 39, United States Code)

1. Date of filing: September 19,1968.
2. Title of publication: NATION'S BUSINESS.
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7. Owner: The owner is: Chamber of Commerce of the United States of America, said body being an incorporated organization under the laws of the District of Columbia, its activities being governed by a Board of Directors; the officers are as follows: President: Winton M. Blount, president and chairman of the board, Blount Brothers Corporation, Montgomery, Ala. Chairman of the Board: Allan Shivers, chairman of the board, The Austin National Bank, Austin, Texas. Chairman of the Executive Committee: M. A. Wright, chairman of the board, Humble Oil & Refining Company, Houston, Texas. Treasurer: Henry C. Coleman, chairman of the board, Commercial Bank at Daytona Beach, Daytona Beach, Fla. Executive Vice President: Arch N. Booth, Chamber of Commerce of the United States, Washington, D. C. Vice Presidents: Jenkin Lloyd Jones, editor and publisher, The Tulsa Tribune, Tulsa, Okla.; Clinton Morrison, chairman of the trust committee, First National Bank of Minneapolis, Minneapolis, Minn.; Walter L. Rice, director, Reynolds Metals Company, Richmond, Va.; F. Ritter Shumway, chairman and chief executive, Ritter Pfaudler Corporation, Rochester, N. Y.; E. Hornsby Wasson, chairman of the board, The Pacific Telephone & Telegraph Company, San Francisco, Calif.; Walker Winter, Partner, Ross, Hardies, O'Keefe, Babcock, McDugald & Parsons, Chicago, Ill.
8. Known bondholders, mortgagees, and other security holders owning or holding 1 per cent or more of total amount of bonds, mortgages or other securities: None.
9. For completion by nonprofit organizations authorized to mail at special rates: Not applicable.
10. Extent and nature of circulation:

	Average no. copies each issue during preceding 12 months	Single issue nearest to filing date
A. Total no. copies printed *(net press run)*	906,013	908,250
B. Paid circulation		
1. Sales through dealers and carriers, street vendors and counter sales		
2. Mail subscriptions	865,608	877,801
C. Total paid circulation	865,608	877,801
D. Free distribution *(including samples)* by mail, carrier or other means	25,476	22,129
E. Total distribution *(Sum of C and D)*	891,084	899,930
F. Office use, left-over, unaccounted, spoiled after printing	14,929	8,320
G. Total *(Sum of E & F—should equal net press run shown in A)*	906,013	908,250

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BY PETER LISAGOR

THE PRESIDENT-ELECT'S FIRST DECISIONS

In that simpler past when Presidents were inaugurated on March 4 instead of Jan. 20, they had time to take a breath-catching vacation of some duration after a rugged election campaign. Woodrow Wilson in 1912 and Warren G. Harding in 1920 spent a month in idle seclusion before plunging into the tasks of transition. Nowadays it would be unthinkable for a President-elect to take more than a few days for rest, for the problems of the world and the nation demand almost continuous attention. An interregnum is hardly feasible.

President Johnson recognized the complexities of transferring power in an orderly fashion when he sent letters last Sept. 11 to the major candidates inviting each to designate a representative to work with White House aides on transition matters. Mr. Johnson named as his own agent Charles S. Murphy, a special assistant to President Harry S. Truman and a man who has intimate experience with the quiet shocks and mild tremors of installing a new man in a secular job as awesome and powerful as any on earth.

The retiring President was acting in accordance with the Presidential Transition Act enacted in March, 1964, by a Congress that had gradually been made aware of the fact that a President-elect not only has no statutory or constitutional duties but was in the awkward position of having to organize a new Administration before going on the government payroll. In short, he was out of pocket for some fairly heavy expenses for staff work, personnel recruitment, task forces, and sundry other requirements that go into preparing for a new Administration.

Dwight D. Eisenhower and John F. Kennedy incurred expenses of $1 million each during the period between their election and inauguration. The 1964 Act authorized $900,000 for the non-incumbent President-elect and his running mate to pay for office space, staff personnel, experts and consultants, travel expenses, subsistence allowances, communications and printing services.

It is not exactly a joyous or harmonious business when a President-elect is of a different party than his predecessor. This has happened 16 times in American history prior to this year. And on eight occasions, a Vice President has succeeded a President due to death in office.

Most outgoing Presidents appreciate the value of continuity and stability and, in recent history, have tried to ease the transition for the new man. President Truman in 1952 started the practice of offering candidates top-level briefings on national security affairs; both Eisenhower and Adlai Stevenson, his Democratic opponent, received regular CIA briefings so that neither would jeopardize the nation's interests overseas for lack of information about what was happening.

But between men of opposite parties there is always a certain reserve, an unwillingness to share responsibility for actions taken by the outgoing President. Usually, political campaigns are fought on grounds that the other party is inadequate or has failed, and the enmity built up on the hustings is not easy to dispel. Franklin D. Roosevelt refused to cooperate with Herbert Hoover, who later was welcomed with open arms when Truman came to power. Truman was deeply estranged from Eisenhower after the 1952 election campaign, but Kennedy and Ike were on friendly terms, and Johnson has never missed an opportunity to express his esteem for Ike and to exchange visits with him.

President Johnson's sense of the office is perhaps as acute as any in history, and though his passions can be as petty as any predecessor's, he has made elaborate plans to help his successor over the rough spots. Cabinet heads have prepared studies of their departments, their policies and projects, for transmission to the President-elect or his representatives. Curiously enough, the

Contributing columnist Peter Lisagor is White House correspondent for The Chicago Daily News.

Budget Bureau has been bird-dogging the campaign pledges of the major candidates, pricing out their proposals so that when the one elected must come to grips with what he has promised, he has a rough blueprint at hand.

Both major candidates this year were quite familiar with the Executive Branch, having served as vice presidents, and therefore would not have to enter upon their Presidential careers as total fledglings. Both also had sharply defined perceptions of what the Presidency should be.

This was not true of either Gen. Eisenhower or JFK, who had to have advice on what they had to do from revising the outgoing President's budget and shaping up a legislative program to the appointments they ought or ought not make and the changes they might make in the national security machinery.



Ike had Sherman Adams, a former governor of New Hampshire, act as his liaison agent with the Truman Administration, and Kennedy enlisted now-Defense Secretary Clark Clifford, a Washington attorney who had served as a special counsel to Truman, to make the preparations essential to an orderly assumption of power. Kennedy also had asked Professor Richard Neustadt, a student of Presidential power, to prepare memoranda on various tasks that would confront him.

Both Eisenhower and Kennedy had considerable assistance in selecting Cabinet officers. Ike's recruiters consisted mainly of Herbert Brownell, who himself became Attorney General, and Gen. Lucius Clay, who had served with Ike in World War II and who, as an industrialist, had come to know many top figures in business and commerce who had the qualifications Eisenhower wanted for Cabinet advisers. Kennedy relied mainly upon his brother-in-law, R. Sargent Shriver, to head up an operation for choosing top officals.

The President-elect after Nov. 5 will be supplied with something of a guidebook by the Johnson Administration, the "ABC's of transition," as one official put it. It will consist of a list of expiring laws, position papers on every foreign area, including expiring international agreements and forthcoming conferences, a list of jobs to be filled prepared by the Civil Service Commission, task force reports on such diverse subjects as income maintenance and the causes of violence. Policies based upon Executive Orders will be compiled by the Budget Bureau, especially those that may be in controversy between the two political parties.

Apart from the urgent things he must do—no less than create a government-in-the-wings until Jan. 20—he has what Laurin L. Henry in his book on Presidential transitions calls "less tangible but nonetheless crucial" matters to consider.

These have more to do with style and image. In Henry's words, ". . . they must be carried out in a political atmosphere of uncertainty and tension, in which everything the President-elect does is scrutinized in relation to a leadership and factional situation that may have been thrown into flux by his victory."

The bureaucracy will sustain an incoming President for a time, for the routine day-to-day activities of the government continue throughout the transition and in the early months of the new Administration. But it moves more sluggishly and haltingly than normal, awaiting new instructions, new directions. The new man has his own policy objectives and it takes some time before he can re-cast government programs and projects to conform. Some students of the Presidency estimate that it takes a full year.

President Johnson likes to remind visitors that he is the Chief Executive until Jan. 20, 1969, responsible for the conduct of the war in Viet Nam and for all other Presidential obligations and duties. But the plain fact is that, while his power is immense, it has been declining since he announced last March 31 that he would not be a candidate for re-election. His appointments have been buffeted about, his influence in the foreign realms has been slipping and the unmistakable air of a caretaker has descended upon his Administration.

During the period of transition, Mr. Johnson's commitments will be necessarily limited and his authority diminished. Everybody will want to wait for the President-elect to take over. At that point, leadership in the nation is greatly inhibited, except in moments of extreme emergency. The incoming President not only lacks legal authority but is inclined to inherit as few of the liabilities of his predecessor as possible. He realizes that decisions taken in December and January can seriously affect his own regime, but he knows that the power will not pass to him until he takes the oath. Until then he can only be as well prepared as he can for a position so singular in character and dimension that no one has yet written an adequate job description for it.



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BY FELIX MORLEY

CAN PRIVATE COLLEGES SURVIVE?

As college doors were reopening this fall the Baptist Convention of Maryland regretfully decided to sell a 140 acre rural tract where it had earlier planned a denominational institution of higher learning.

The reasons for the decision were compelling. The estimated cost of launching the venture is today three times what it was in 1961, when the project for this new liberal arts college was approved. And the resources available to the Convention have not risen in proportion.

A survey of the nation as a whole would doubtless reveal other cases where similar plans of private enterprise are being reluctantly abandoned. It is a sharp and thought-provoking contrast with the situation a century ago. In the decade from 1860 to 1870, in spite of the Civil War, a total of 66 denominational and private colleges which still function were established throughout the United States. Not many of them are likely to be still in business a century hence.

The independent small college is a uniquely American institution. But at no time since the founding of Harvard, in 1636, has it been up against a more severe test of ability to survive.

Many factors are responsible for this crisis, of which the most cogent is the rapid rise in costs that forced abandonment of the Baptist project in Maryland. Private colleges, and secondary schools, are particularly vulnerable to inflation.

Even with a stable dollar it is an achievement to keep a college budget in balance. Income always tends to fall below even conservative estimates. An unpredictable fraction of students is dropped, or drops out, with loss of anticipated tuition fees.

The teaching staff, protected by contracts, cannot be reduced in proportion. Buildings are often old and require expensive emergency repairs. Libraries and laboratories seldom foresee their full requirements. While they have lately been intensified the destructive instincts of male students have a very ancient pedigree.

So the financial problems of the independent colleges have always been serious. They can quickly become desperate when the cost of food, supplies and services is mounting rapidly.

Charges have of course been raised and there are those who argue that they should be much further stepped up, until they cover the full per capita student cost. But there is a limit to this tactic. Already the charge for board and tuition—let alone extras—at most private colleges is at least $3,000 a year. If they go much higher all but the most prestigious schools will simply be priced out of the educational market.

This is the more certain because no good college wants the dubious distinction of catering to millionaires. Therefore the truly heroic effort to increase scholarship aid for worthy though indigent youth. The climate of the times now demands that increasing numbers of Negro youths be aided financially, even if they don't play football. But an endowment of $60,000 is necessary to provide a single annual scholarship of $3,000.

Those in a position to make such contributions are not growing more numerous. And while the latest federal tax increase may not have curtailed consumer spending, its effect on educational giving has already been distinctly negative.

Much ingenuity has been shown in discovering new sources of academic income. One of the most successful has been the appeal to industry. In every State there are now joint committees of educators and business leaders which systematically raise funds for the independent colleges of their localities. Numerous corporations also give matching or outright grants, aside from the generosity of the various foundations. But business help is contingent on business profits, though many college professors have yet to realize this.

College students in their turn have not observed that every campus riot has a reaction in curtailed contributions. This can be especially serious for an institution's alumni fund, now relied upon to cover a substantial part of every operating budget.

Contributing columnist Felix Morley is a Pulitzer Prize-winning former newspaper editor and college president.

Because of their fund-raising diffculties it is not surprising that the administrators of private colleges are so active in urging federal aid for their institutions. They cannot afford to overlook anything that might bolster faltering budgets. The effort, however, is almost suicidal. There is abundant evidence that federal aid will in the long run destroy that independence which is the major survival argument of the traditional college.

This independence is not being undermined by such crude procedure as dictation from Washington on what should be taught, and how. The influence is much more subtle and, indeed, often wholly unintentional. As one illustration, take the actual case of a small college that badly needed a new freshman dormitory, but had no spare funds.



By arrangement with the appropriate federal agency this college a few years ago was able to obtain the requisite $400,000, through an issue of bonds which are general obligations of the borrowing institution. These are secured by a deposit of revenue which assumes full occupancy of the new dormitory. In the enthusiasm engendered by this seemingly easy accomplishment a poor guess was made as to the number of admissions in the years ahead. Currently, the new dormitory is little more than half full. But the Revenue Fund Account must be maintained at the figure set on the assumption of capacity utilization.

Consequently the college must divert to this obligation money that would otherwise go to facilities already financially undernourished. Possibly the contract with Washington can be renegotiated. But however that may be the mortgaged institution will be wary of criticizing any governmental policy while this long-term debt is being worked off. Caution will be reflected in the selection of speakers invited to address the students; in the character of the courses offered, and in the attitude towards student demonstrations. There are better ways to obtain docility than those chosen by the Kremlin for the Czechs.

This disagreeable situation, in one form or another, is coming to the fore because private college enrollments this year are generally down. Partly that is because the population curve in the 17-20 year age group has dropped, but there are other reasons. One is the inability of many parents to pay the soaring charges at private colleges, and the parallel inability of these schools to offer compensatory scholarship assistance, even with federal aid in this field also. The crunch explains the pessimistic conclusion of a memorandum recently prepared in a college admissions office.

"It is entirely possible," this says, "that we have now reached a point in our development program which dictates that admissions standards will be lowered in order to increase student enrollment."

But that, in turn, would be no solution. The small independent college exists to give more individualized instruction than can be obtained from the mass production methods of the great public institutions. The objective means that the small college must maintain a dedicated—and expensive—faculty and accept only students of demonstrated ability, who as often as not have very modest means. If admissions standards are lowered the reputation of the college soon declines, its best professors leave and any advantage over the nearby public institution becomes negligible, compared to the cost differential.

Moreover, it must be realized that the rapid proliferation of two-year community colleges is another factor detrimental to the private institutions. With a combination of county, state and federal support, the community college fees are nominal and their doors are open to almost every high school graduate. Equipment is generally excellent, instruction good and students who make the grade are welcomed as upper classmen at the state university. But this educational success is to no small extent at the expense of the independent college in the same locality.

From the viewpoint of the latter, a new development at some community colleges adds insult to injury. Endowment funds are being established for educational frills which State Legislatures could be expected to prune from appropriations. These funds are being solicited from the same people, and firms, on which the independent colleges depend for their very existence.

One may well sympathize with his quiet indignation. For college presidents now face threats more disturbing than the possibility that Students for a Democratic Society will invade their offices and ransack their files. Outrages of that sort get publicity because they are infrequent. More disturbing are the insidious but continuous pressures here touched upon. They threaten the continuation of free enterprise, as opposed to state control, in our college education.

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Some of the differences seem simple enough. Like making every one of our adding machines and multipliers compact and light in weight. So it can fit any desk and go from job to job easily, quickly.

Other differences are more complex. All stem from our belief that the best machine for any job is the one designed to perform that specific function.

From our most basic adder to our 167 printing calculator, the entire line of Hermes figuring machines is designed to help people perform their jobs in the most professional way possible.

The choice of machines for your office is greater than manual versus electric. Putting the right machine to the job can make a difference in the work that goes out of your office. It has with ours.

Left to right from top:

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Hermes 167: printing calculator with all four basic computation processes. In 12/13 capacity. (Available soon.)

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The cab is all aluminum. Aerodynamically designed to slice through the air for less drag on horsepower. It's part welded and part riveted so the more vulnerable corner panels can be easily replaced. Floor and underbody are steel reinforced at critical points and are completely welded for extra strength. Four-inch leaf springs are standard up front.

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The Astro 95



individually powered full-path windshield wipers—easily exposed for servicing, and a safe, easy-to-mount entrance ladder.

The command cabin of the Astro 95 is the most advanced cab interior ever built. Seats are padded and contoured to reduce fatigue. Frequently used gauges and controls are designed so that the driver needs only minimal effort to check and operate them.

Visibility is superb. The Astro 95 has a driver sight line, forward, unmatched by any truck of this size.

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Watch the Hawaiian Open Golf Tournament on NBC-TV, November 9 and 10.

IS THIS ANY WAY TO RUN THE AIRLINES?



BY ALDEN H. SYPHER

A big jet lifts gracefully off the runway at Kennedy International Airport and climbs steeply into the evening sky.

This is the last word in high performance civil aircraft—the precise product of several generations of engineering imagination, skill and know-how. Nearly 150 passengers sit comfortably in the luxurious cabin. But they are far from happy.

The flight is already three hours late, and it's just now off the ground, starting a 90-minute journey. It's been waiting for space in the federally operated airways.

Is this any way to run an airline?

You bet it isn't. But who's running it? The airline whose name is painted along the fuselage? To some degree. But it has lots of help from the government. Not from just one agency. From several.

The air transport industry in this country is nearly as completely controlled as the operation of the Post Office Department. And just about as well.

The airlines were notified last month that after Feb. 28, 1971, all civil jet aircraft operating in the United States must have on board equipment capable of alerting the pilot with aural and visual signals if he departs from his assigned flight level.

This order came from the Federal Aviation Agency, which ruled also that such equipment, which is yet to be developed, must have FAA's approval. The long lead time is to allow the industry to create the apparatus.

The same bureau licenses the pilot. It designates the doctors who check his health. Its inspectors examine him regularly to determine if he is capable of operating the aircraft with sufficient skill and approved techniques, including the ability to reach and maintain assigned altitude.

To assist him in this particular aspect of his work, he has already government-approved sensitive altimeters, rate of climb or descent (or the absence of either) indicators, airspeed indicators that rise with descent and fall with climb, unless there is a change in power settings, and gyroscopic artificial horizons, which also show climb or descent.

Contributing columnist Alden Sypher is former editor and publisher of NATION'S BUSINESS.

Also he has a copilot, likewise licensed and regularly examined by the FAA, and presumably capable of monitoring rise or descent and able to issue aural and visual signals.

So while it may be wild in the blue yonder now, as claimed by the New York air traffic controllers' union, it will be a lot wilder and probably much bluer when bells clang or horns blow and lights flash to give the pilot aural and visual warning that he's leaving his assigned altitude.

Also aboard each airliner is an approved type certificate, or airworthiness certificate, issued by the FAA. This federal bureau even decides which materials may be used in the interior decoration of aircraft. It also determines aircraft maintenance schedules, including the number of hours each engine may be run before overhaul.

Such overhaul work, along with regular inspections, are conducted by specialists employed by the airline, and licensed, of course, by the FAA.

It was an FAA air traffic controller who held the flight on the ground awaiting air space for its projected journey. The space was provided by the federal airways system, including the route and altitude to be flown.

Another federal bureau had awarded the airline the route it was flying—the Civil Aeronautics Board. This agency also decided what the fare should be, and what rates could be charged for freight carried in the plane's belly.

Any variation in the fare structure, such as promotional family fare rates applied to off-peak days or hours, could be tried only with CAB approval.

Few details escape the notice of these experts. Recently 17 airlines petitioned for joint discussions of transferring to the customers the cost of

credit privileges they enjoy now free of charges. The petition was denied. The CAB called attention to its 1963 ruling that airlines' extension of credit without charge was approved.

Earlier this year still another federal agency—the National Transportation Safety Board—suggested the FAA establish safety standards for scheduled air taxis—which carry passengers from smaller communities to airports on the main trunk and regional networks.

At the same time the air taxis came to the attention of the CAB, which issued an order requiring the operator to turn in quarterly reports listing scheduled flights on each of his routes, the number of passengers and the weight of freight or mail carried between each pair of points, and to list the types and capacities of his aircraft.

In other words, the scheduled air taxi operators have grown up to the extent that filling out federal forms becomes one of their problems.

Another agency, the Bureau of Aviation Safety, which comes under the National Transportation Safety Board, investigates aircraft accidents and tries to determine the cause. It also keeps watch on compliance with safety standards and takes whatever steps it can to prevent accidents.

All this activity stems originally from the Civil Aeronautics Act of 1938 which, among other things, established the government's interest and responsibility in promoting the safety and growth of the then young airline industry.

The growth has been phenomenal. It has far outstripped the government experts' expectations and preparations.

There is considerable doubt whether the airlines' growth has been helped or hurt by the government. There's very little doubt the government is failing miserably these days both in growth and safety.

On the growth side—the FAA proposes rules limiting, starting this month, the number and types of flights to be allowed at five major airports in the nation, in Washington, Chicago and New York.

The rules would eliminate flights now serving several thousand passengers daily, according to industry estimates, and severely restrict the use of these airports by executive or private aircraft.

Thus ends the first-come, first-served policy in effect during the tremendous growth of both scheduled and general aviation. The use of these airports is to be limited to flights with previously made reservations.

And as for safety—

Air traffic controllers—the federal employees in the control towers in direct radio and radar contact with aircraft, and others in the computer-equipped traffic centers—have been battling for months with their FAA supervisors over safety at major airports.

They say they are far too few in number, that they are overworked and poorly equipped.

"It may entertain top FAA officials to play Russian roulette with people's lives, but the controllers are fed up with it," they said in a letter sent by their union to the FAA.

They said near mid-air collisions were occurring daily in the New York area because of deficiencies in their equipment, that instruments used to control traffic failed three to five times a day.

"The failure may last only two or three minutes, but when dealing with fast-travelling jets, carrying hundreds of passengers, two or three minutes can represent massive tragedy," the controllers said in their letter.

There are two problems involved here. One is the obvious inadequacy of airports, which is only partly a federal responsibility, and gross inadequacy of control personnel and equipment, which is a federal failure entirely.

Serious shortages in the number of qualified air controllers are admitted by the heads of the federal agencies. They blame Congress for failing to appropriate money to hire and train more of them, and to provide equipment necessary to keep up with the jet age.

But is this a failure of Congress, or a failure of federal agencies to make the need to maintain air safety with growth compellingly clear? The same Congress for the past two years has appropriated millions of dollars to encourage writers, artists and actors.

If there is any substance at all in the controllers' charges concerning air safety, vast improvements must be made, and made as soon as possible.

There is no question that civil aviation must have government control of airways and busy airports. Traffic would be chaotic without it.

It's tragic that it may be chaotic with it.

right or wrong!

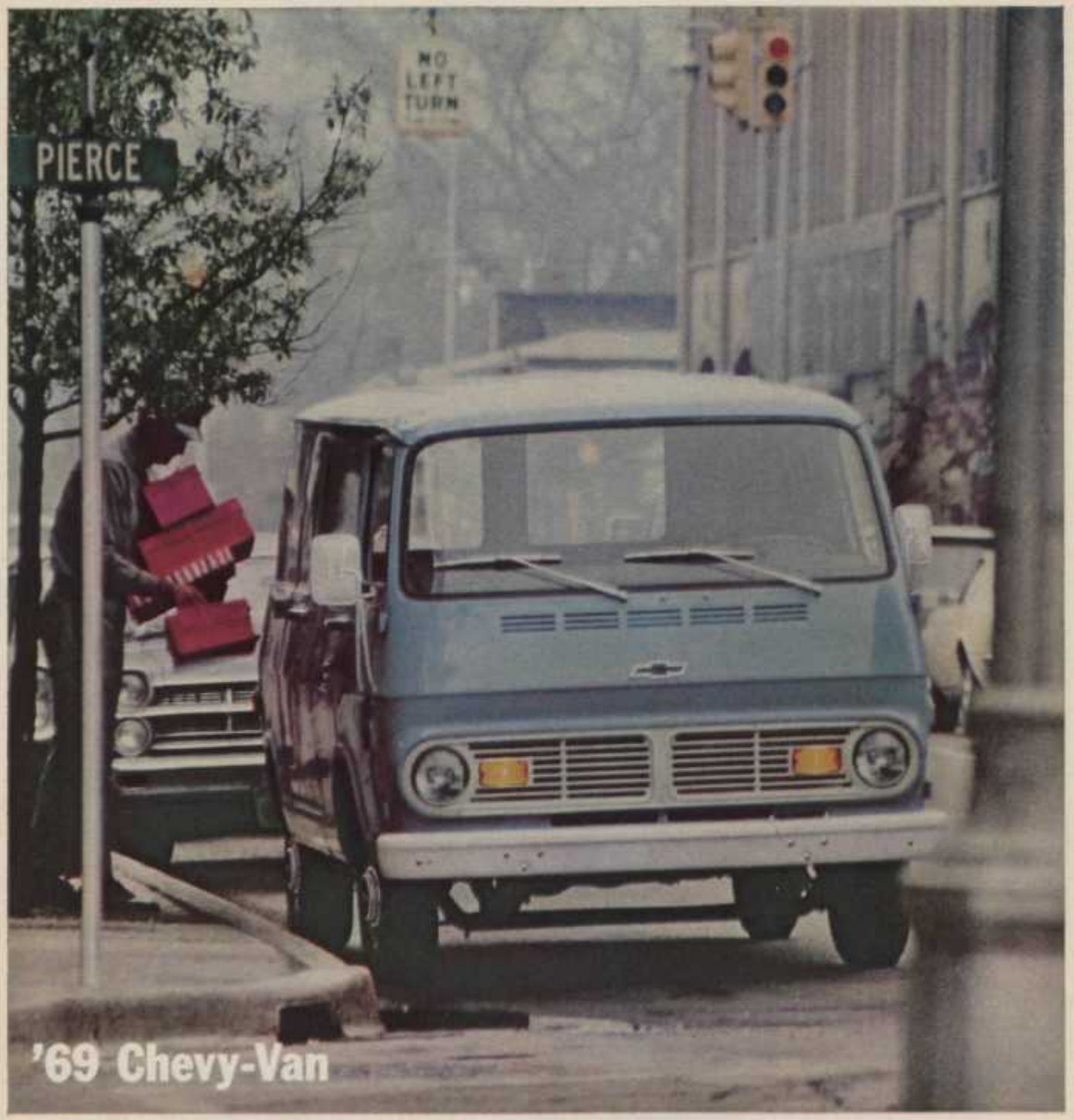


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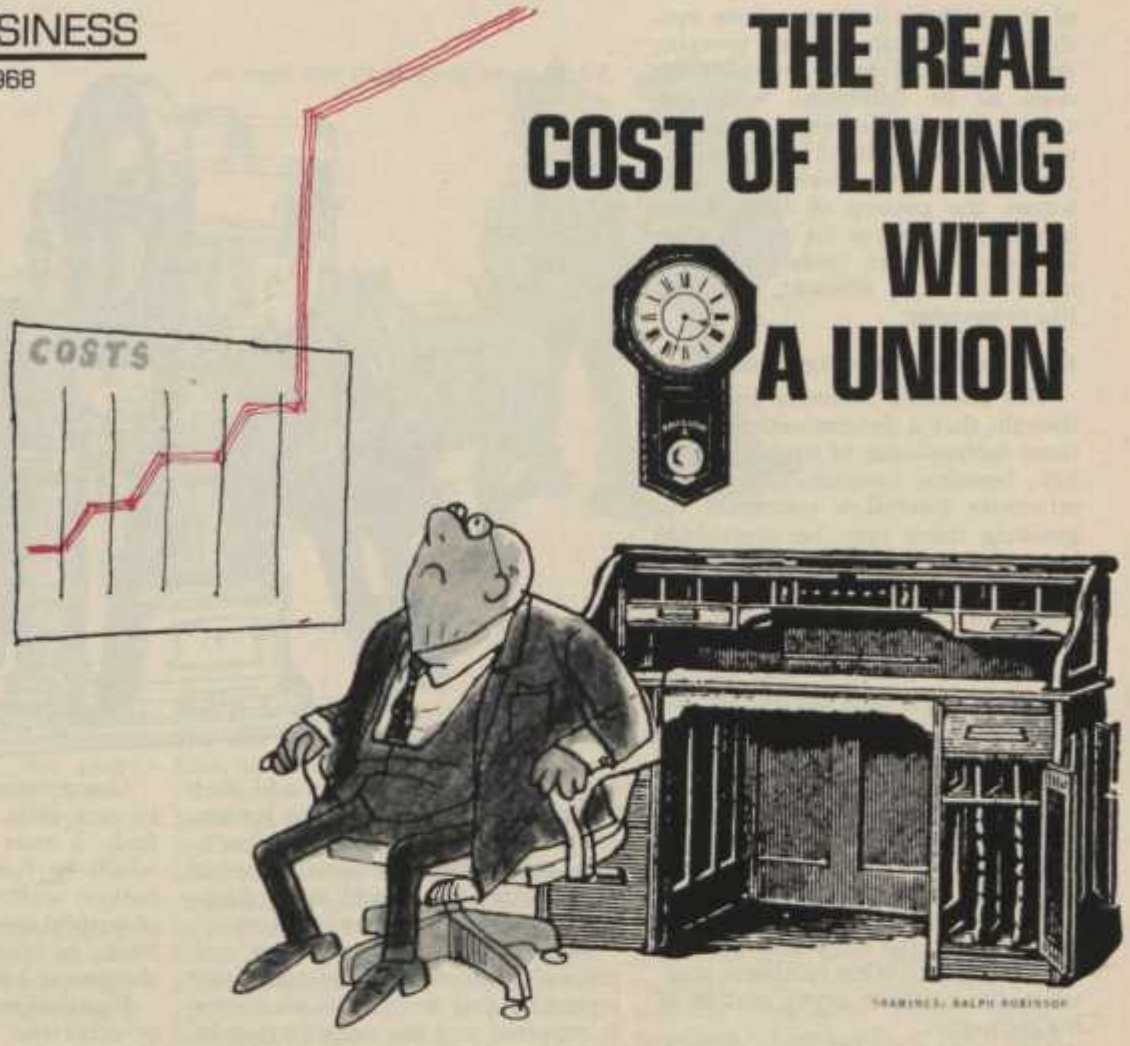
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NATION'S BUSINESS
NOVEMBER 1968

THE REAL COST OF LIVING WITH A UNION



If it organizes your plant, there are four things a union always insists on—and they'll make expenses skyrocket

A well run union, like a company, is constantly on the prowl for investment opportunities: Investment of its organizing money and of the time of its organizers.

An attractive investment is not necessarily one where the employees have asked for organizing help —their employer may not be of sufficient size to ensure that the dues, assessments and initiation fees "produced" by the bargaining unit will meet the cost of even servicing a local, leaving aside the cost of an organizing campaign.

So feasibility and pay out will be carefully weighed before a union will undertake to organize an employee group.

Is there a local in the vicinity that can service a small number of new members? On the other hand, is the group large enough that a break-even basis can be established, with the hope of reaching additional new prospects in the neighborhood? It is fundamental, in calculating the risks involved, that the larger the employee group, the cheaper (per head) it is to reach them, since mass communications media have small incremental cost.

A union may reach a decision to invest organizing effort on many bases other than sheer numbers of employees. A union may determine that its greenest pastures are the nonunion plants of a company in which the union already has representation. It may move toward plants in the same industry but of other companies in proximity to plants where the union is entrenched. It may even be more interested in small numbers, carving out a compact group engaged in a particular craft from a large plant work force and enrolling these workers in a local union covering the employees of many firms who follow this craft.

An office employees' union has found that it pays to advertise—organizing targets have been uncovered through blind Help Wanted ads which are phrased to appear to be recruiting experienced help, if dissatisfied with present job. One

JAMES L. DOUGHERTY, *author of this article, was for eight years labor relations director of Lion Oil Co. He is presently personnel manager of a major chemical company. The article is condensed from his book, "Union-free Management and How to Keep It Free," to be published in November by The Dartnell Corp., Chicago, Ill.*

of the nation's largest unions conducts systematic surveys covering entire regional labor markets. It does so to determine with certainty the place of employment of all workers considered in the union's jurisdiction, the level of their wages, the pattern of their fringe benefits, the areas in which they live and similar items that will make for more efficient, business-like organizing.

When management fights back

The informed manager is aware, though, that a determination on all these factors—size of working force, pay, benefits, location—that would otherwise foretell a successful organizing drive may be overridden by the further finding that the employees will not be receptive to union advances and that the employer can be expected to resist unionization strongly and intelligently. Under such conditions, the union's risk is greater; the promise of a return on its investment less likely.

The employer's intelligent resistance may have included creating among workers this attitude unfavorable to unionism long before union agents appeared in the field. It is quite often the deliberate product of a program of labor relations, rooted in the primary profit motive of the company.

Let us consider the place of profits in the corporate picture and the place of labor relations in the profit picture.

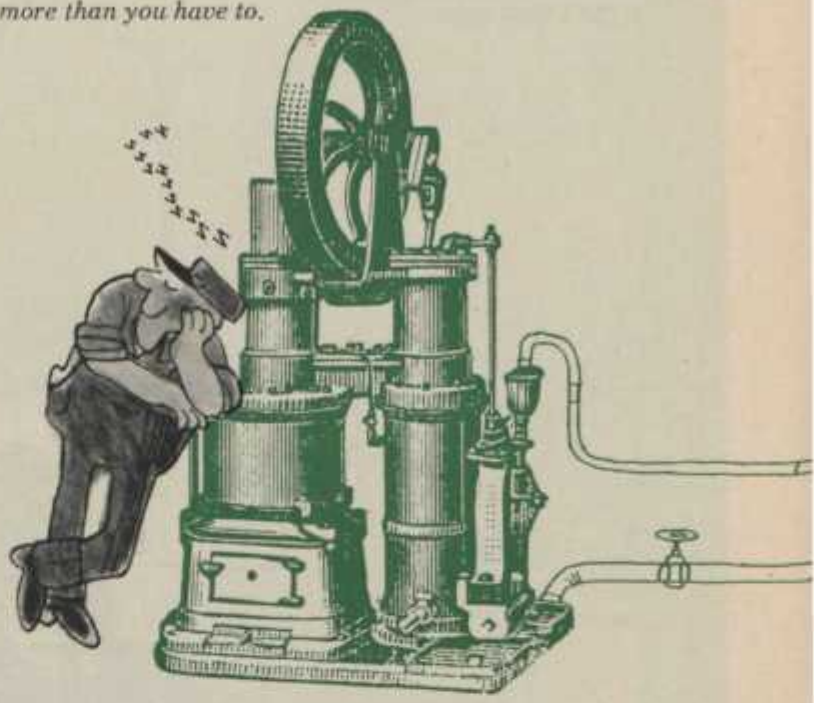
The owners, in subscribing the funds needed to launch the enterprise—or in buying shares of an existing enterprise—do so with the purpose of achieving a return on their investment. The management of the organization is charged with this purpose.

The management, if it is to remain the management, must satisfy the owners that its stewardship of their investment is effectively paying a fair return on, or increasing the value of, that investment, and will continue to do one or the other or both over the long run.

There is little room to doubt that the way to increase the value of an investment to its owners is to make a consistent, substantial profit on it. The presence of a union may greatly reduce the chances of making such a profit.

Stated in terms of people, a more profitable business is one whose employee group is more productive than the employee group of the competition. To make this generality more palatable, let us add that "employee" here means the human effort—president, salesmen, pipefitters—and "more productive" means performing at less cost those functions necessary to doing business.

Never work more than you have to.



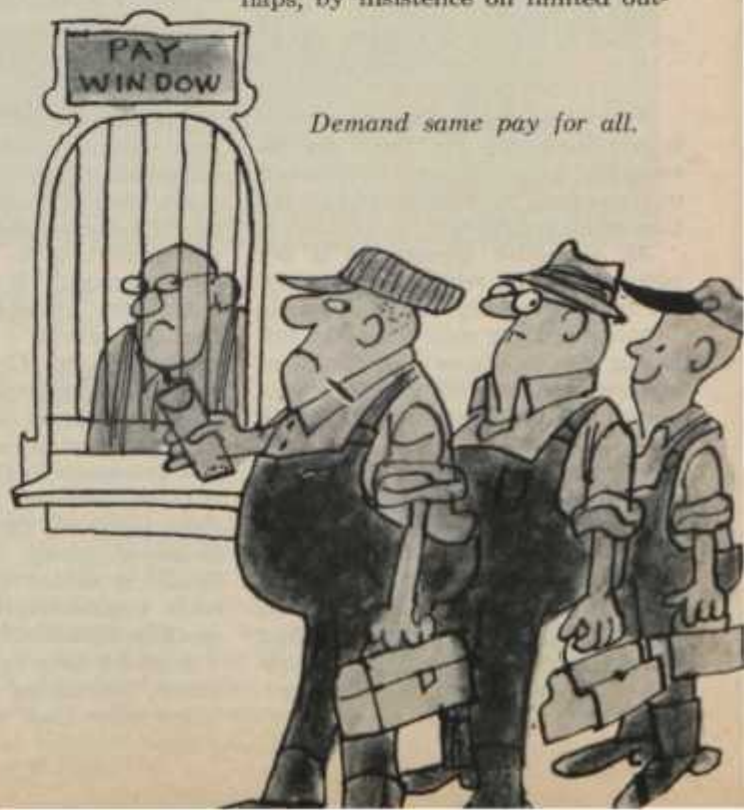
And what goes to make an employee productive? Obviously, the materials and tools with which he is supplied and the organization in which he is placed, but in addition the competence to produce and the will to produce of the individual person have decisive effect on his productivity.

Competence embraces both ability and skill. The situation which finds a man working in a job at which he has both knowledge and natural ability is a situation born of careful selection and placement. Skill in performing the job is sharpened by training.

Restrictions, through bargaining or otherwise, of the management's ability to act in these areas will weaken its ability to produce profit.

A failure or frustration of the will to produce—evidenced, perhaps, by insistence on limited out-





Demand same pay for all.



Spread the work load.

put, rigid definition of job duties, or a proclivity to carry signs back and forth in front of the plant rather than come to work at all—can be fatal to the enterprise's profit-making ability.

How union rules hurt workers

Let us examine four ideas, goals for the worker, that most unions hold and, in countless cases, have compelled corporate management to accept:

1. That seniority must rule.
2. That the individual workman will benefit if the workman's job is narrowed, specialized and rigidified rather than broadened and made flexible.
3. That all workers doing roughly similar jobs must be paid the same—differences in effort, intelligence, initiative and attitude must be disregarded.
4. That the optimum amount of work is the minimum amount that the employer will accept, and in no case an amount related to individual ability.

Seniority—Seniority selection for promotion throttles management opportunity to upgrade its work force—and thereby contribute to its own security—through scientific placement of its people. It removes from management's hands the natural reward for employees of outstanding talent and high motivation. The end result is mediocrity, at all levels, plus dissatisfaction on the part of superior workers.

The unions have no real advantage to gain from all of this except that it dilutes management authority, and it is easier to administer than a merit system, providing a measurable standard to produce settlements of disputes between workers on a variety of subjects. It is also, to a union, a valuable issue in organizing mediocre workmen who have been under a pure merit system. The pleased promoted employees are likely to be outnumbered by those who feel they have not benefited by the system.

Job shrinking—In narrowing the things an employee may do, in rigidifying job assignments, lies the greatest waste and expense that unionism can bring an employer. Despite its claims that men prefer a single craft or skill or a narrow job operation with rigidly specified duties, a union adopts such a policy for another reason—it means more people on the job and therefore more dues payers, an elementary and practical reason from the point of view of union income and power. It is a sophisticated form of featherbedding, wherein the necessary tasks are carried to completion by many unnecessary pairs of hands.

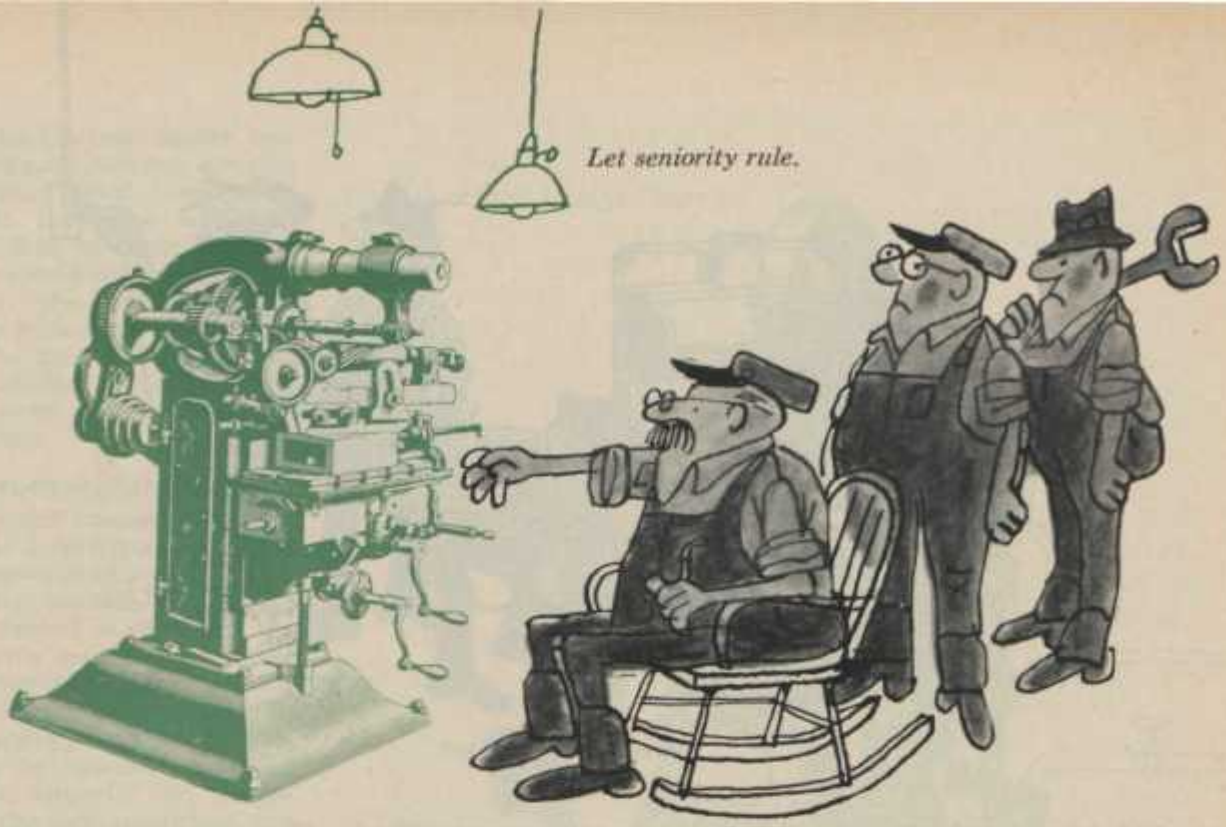
The worker? Recent studies indicate that the workman is better adjusted and happier who performs a more fully rounded job, who has plenty to do through his entire working day.

Equal pay for equal work—Paying a fixed compensation to men in the same classification without regard to the quality or quantity of their work is a demoralizer of the same order as seniority in promotion. Here again mediocrity becomes the ideal. This condition is aggravated by the practice of granting flat cents-per-hour increases to all classifications alike, pulling the skilled and the unskilled people ever closer in pay, percentagewise.

To unions, "equal pay" and across-the-board increases are but measures that keep the boat from rocking, that eliminate sources of jealousy and strife among union members. The union is not called on to take sides in disputes where one member may be naturally more advantaged than another member. Another "plus" for the union is ease of administration. Management's own work-measure studies and "standards of performance" have probably acted to intensify the problem by taking a mechanistic view of compensation.

A fair day's work for a fair day's pay—This slogan undoubtedly has meant many things to many people in the years it has been used, but today it connotes a general acceptance by those industrial workers who live by it that the pace to maintain at work is the minimum one that the management will accept. It has been theorized that construction workers, who can easily perceive that they inevitably "work themselves out of a job," have brought this attitude regarding work pace to operating plants.

In any event it exists. It has the tacit approval of the union and often its active support, enforced by harsh disciplinary measures, because here again the union sees



Let seniority rule.

more dues payers in the dragging feet.

The unions' seemingly senseless argument with excellence is actually founded in their self-interest. These handicaps to productivity and other less tangible ones—involving dilution of the management's right to manage—record themselves on the profit-and-loss statement in higher operating costs and lower profit.

Same wages—but higher costs

A trade association appointed a committee of personnel men to determine as nearly as possible the additional cost involved in operating a given plant with a union, as opposed to operating nonunion. Their most conservative estimate was that a nonunion situation was 25 per cent lower in operating cost, assuming equal wage rates.

Their calculation of time lost by unionized operation may have been overly conservative when we look at an event in the life of a modern plant whose maintenance employees deal with the company through a union:

The pickup truck piloted by a member of the truck drivers' craft union squealed to a halt at the water-scrubber unit.

Aboard were a rigger and his helper, leaning on a pump that was to be installed in place of an ailing one that had caused the shutdown of the scrubber.

The riggers handily tied on to the new pump and set it down gently near the equipment it would replace.

The pipefitter and his helper arrived on the scene while the pump was being lowered, but drifted off with the riggers for a smoke when it was apparent that other crafts had not completed their portion of the job.

The electrician and insulator, each with a helper, showed up in a few minutes and began disconnecting the electrical connections and stripping off the insulating material from the pipes.

The pipefitters then broke the pipe connections and the riggers went back into action, removing the inoperable pump by means of an overhead crane and placing the new one into alignment, under the guidance of the pump mechanics. This last craft had been in touch with the entire procedure, since it carried primary responsibility for changing the pump.

After the pump was properly leveled and ready to go, the show began to run backward, with the various crafts adding their touches until the pump was running and scrubber was back on stream.

The entire task was within the ability of a good general mechanic and one helper to perform in a fraction of the time consumed by this intricate interplay of narrow skills.

Why organizers succeed

When there is added to all of these the impact on profit of a union's ultimate weapon, the strike, it becomes apparent that the management of any plant that is operating without a union faces a decision, unless it has already made it. This decision may be the most important one made in all the years of the plant's productive life.

The evidence mounts that most losses of union-free status are due to errors of employers—errors not in the administration of pay and benefits, but in the more subtle matters of interpersonal relationships and communications. A recent study covering more than 600 situations in which employers had become unionized disclosed five main employer errors which brought about unionization. Employers—

1. Gave employees only a minimum of information about the status of the company's health, its financial position, its goals, sales and production achievements.
2. Introduced changes in plant equipment, tooling, or policy without advance notice or subsequent explanation to the work force.
3. Made key decisions in a vacuum of ignorance about what their employees really wanted.
4. Used pressure tactics, not leadership, to secure high production and productivity.
5. Played down or pooh-poohed employee dissatisfaction in their plants.

The union threat to impose profit-restricting practices and attitudes is a problem that must be faced, no matter how remote the threat may seem now or how peaceful the plant or office may be.

Time and inaction work against the employer. The sooner the challenge is faced, the easier it is overcome. **END**

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EYEBALL TO EYEBALL WITH CUSTOMERS

Business starts new dialogues in cities all over country to find out what's bugging consumers













Business and consumer representatives meet in DeKalb County, Georgia, to talk about problems of concern to buyers today.

"The easiest way to blame the other fellow is when you don't know him," muses Robert E. Smith, manager of the General Electric Co. plant in Providence, R.I.

"I really think business has an obligation to seriously discuss consumer problems," says Mrs. Adelaide Luber, director of the Anti-poverty Community Action Program in Cranston, R.I.

The businessman and the woman are concerned about problems of the apparent gap in business-consumer relationships and the need to establish better communications.

"All business isn't suspect," says Mrs. Luber. "You know there are good and bad, as in everything else."

"There is a need to understand both sides on this," declares Mr. Smith.

Because business recognizes its success or failure rests on the American buyer, it has become increasingly concerned that there is a gap in communications and understanding. To bridge this gap, the Chamber of Commerce of the United States is launching this month a new program through member local Chambers.

Two dozen cities have already tested the establishment of a Business-Consumer Relations Committee within the local Chamber framework to bring representatives of consumer groups and business together.

"What we hope to find out through a committee such as this," says GE's Mr. Smith of the group established within the Greater Providence Chamber, "is what's bothering the consumer, what business practices gripe him."

Out of face-to-face discussion between business and consumer group representatives in Harrisburg, Pa., came a realization that the best way to determine problem areas is to find out what as many individuals think as is possible.

"We're going to try to survey 60,000 people," says Henry C. Kennedy Jr., a Greater Harrisburg Chamber official, "and put the results on a computer and find out the things they as consumers want or are bothered about."

An educator member of the committee headed by Joseph Higgins, general manager of WHP radio and television, suggested the way to carry out such a survey. It became a project of members of the Distributive Education Club of America chapter at the vocational high school.

How to—on TV

From discussions of the committee in the De Kalb County, Ga., Chamber chaired by Rufus Camp, an automobile dealer in Chamblee, Ga., came informational programs on television on "how to buy an automobile," "what to look for in buying a house," and "how to pick a wardrobe."

Consumerism has become an intense subject the past few years: In Congress, in business, at women's meetings, among neighborhood groups.

A spate of legislation has been passed, aimed at protecting the consumer, and more is sought.

The increasing complexity of a technological society has been blamed in part for the widening gap between producer and user. It has occurred, as well, between university and student and between the citizen and his government.

"Everybody wants to be treated with understanding," says Carol Fuller of the Urban League in Providence.

"If there is one single cause of current consumer discontent—other than the infrequent instances of outright fraud and deception, which all unreservedly condemn—it is probably the lack of a visible and continuing means for consumers to communicate their problems and questions to business," the National Chamber says in an outline of the new program.

"A desire to be heard, to be paid sincere attention, may be as important to some consumers as the action taken on their complaints. Many people fondly recall the 'good old days' when the neighborhood merchant knew personally all his customers, was familiar with their whims, tastes and problems, and dispensed conversation and gossip along with the lamb chops and goods.

"It's important, therefore, to renew the dialogue between businessmen and consumer in terms which are meaningful and useful to both."

The new program is designed to improve business-consumer contact at the local level, and to illustrate the belief of American business that its goal must be consumer satisfaction and not just the completion of an economic transaction.

GE's Mr. Smith is chairman of the Business-Consumer Relations Committee of the Greater Providence Chamber of Commerce, and Mrs. Luber is one of 13 nonbusiness representatives on it.

"This committee can be a good thing," says James N. Williams, director of the Urban League in Providence and another committee member.

"People want to buy with confidence. The businessmen on it have the stature for it to play a useful role."

Mrs. Luber agrees. But she thinks the dialogue is just a good first step. Business also will have to "come to the high schools and the neighborhood groups and talk to them about credit and values and business practices."

In cities that established committees in the Test Program, topics most discussed included:

Credit problems and installment practices; advertising and promotion; quality of repairs, service, warranties; prices, product information; absence of consumer education programs; home improvements industry practices; labeling, dating and quality of food; deceptive business practices, telephone and direct mail solicitation.

Most of the committees agreed informational programs are needed and highly desirable. A major aim of the Business-Consumer Relations program is to promote a better understanding of the marketplace and over-all economy.

Many of the groups plan to estab-

lish speakers bureaus, hold business-education days, institute plant tours and stress the need for personal relationships in sales training.

The Greater Providence Business-Consumer Relations Committee is typical of those that tested the program's concept.

In its initial meetings, it decided it could best affect a program by working with existing organizations. Identifying the areas for broad study is one of the toughest tasks.

Some of the test committees at first meetings had each member jot down on a card a consumer problem that was bothering him. In Rochester, Minn., each member asked 10 friends a similar question. A wide variety of problems was brought out.

"There is no apparent problem in stimulating discussion among the business and nonbusiness groups.

"There is surprising dialogue, right from the start," says Harrisburg's Mr. Kennedy. "Nobody is shy about speaking up."

Meetings are generally held in a conference room in the local Chamber. But every effort is made to avoid any inhibiting, formal atmosphere, or to seat business and nonbusiness members in separate groups.

The atmosphere in most is that of a round table discussion.

In Providence, the full committee felt subcommittees should work in specific areas suggested for study: Advertising, time payments, trading stamps, labeling of foods, watering of meats, dating of perishables, ice cream—volume vs. weight.

"I was the one that brought up the ice cream," said the Urban League's Mr. Williams. "But when we looked into this, we found there were state laws that governed the sale of it on weight and volume and I was satisfied."

In these smaller subcommittee meetings, the members explore the problem at length.

This to Mr. Smith is the chief value of such committee meetings.

"You can get something done only if all parties will sit down and talk.

"If nothing else, a consumer will at least know someone he can call and discuss his problem."

"That's one of the interesting things about such a committee as this," says Mrs. Luber. "To see businessmen willing to talk about consumer problems."



Mrs. Adelaide Luber, director of anti-poverty Community Action program, (left) sees new program as good beginning.

Businessmen not bogeymen

"Once the ice is broken, you communicate," says John G. Prickett of the Grand Rapids, Mich., Chamber. This committee under Robert Dinger, president of Herpolsheimer Co., meets once a month.

"Some of the representatives of the low-income groups, I believe, looked on businessmen as bogeymen. When they found out we weren't, they were frank to speak out."

Mrs. Luber believes the area of credit installment is one of the most important for business.

"Let's face it," she says. "We live in a consumer-oriented society. Everywhere we turn, there is a message: 'This is good, you should have it.'

"Well, poor people get the message, too. And they buy.

"Business may not want to do this, but really its credit managers are going to have to become budget counselors in dealing with some people.

"I don't really think it's a crime to tell someone: 'Look, you're pretty well extended on credit right now. Why don't you wait a couple of months and get some of your payments out of the way before you take this on.'

"Sure you may lose a sale now and then. But I think you're better off in the long run. And you won't just be piling debt on debt that a lot of people can't handle.

"I wish business could come to the high schools and have a speaker tell these students: Use a little caution in credit buying."

The Harrisburg committee plans to hold a business-education day at city schools.

In Grand Rapids, credit and financing was a major topic. The committee brought in an expert to discuss budgeting and finance charges and to detail places where consumers can go to get assistance and counseling in this.

What bothers consumers in one area—dry-cleaning services, for instance, in Rochester, Minn.—may not even be mentioned in another.

"The suggestion about looking into the watering of meats," says Chairman Smith of the Providence group. "Well, we looked and looked and couldn't find anything on this. Somebody had said they'd heard it was a big thing. But no one could find a single specific instance."

Rumors and misunderstanding, most of the committees in the test cities of the program have found, are one of the most prevalent problems in consumer-business relations.

Mr. Smith and all businessmen readily admit there are instances of deceptive business practices in consumer relations, but that these are relatively few.

"Our committee is certainly not

confined to the few areas we are studying so far," he says. "I am not sure that we have come to grips with many of the things bothering consumers, but we certainly are going to be flexible enough to encompass them as they arise."

Nonbusiness members of the committees that have already been established are varied, including representatives from church, welfare organizations, anti-poverty groups, women's clubs, senior citizens, county extension service agents and home demonstration agents, school officials, PTA, minority group leaders and home economists.

In announcing the new Business-Consumer Relations program, the U. S. Chamber makes this point:

"Of all the responsibilities of business, and there are many, none is more basic than providing for consumer satisfaction with goods and services. In today's terminology, that's the name of the game—and to play it properly requires effective communication with consumers." **END**

IS THIS WHAT SHOPPERS WANT?

What's behind the so-called consumer "revolution" which is sweeping not only the United States, but most of the world?

Is it a need for protection?

Protection against whom? Responsible manufacturers? Reliable, informed retailers? Certainly not!

But somebody's doing something wrong.

It's not just the toaster that charcoal-broils the bread, nor the faulty steering mechanism on the family car, nor the suspicion that promotional gimmicks add to the product cost. And it's not even the invisibility of service by some product makers. These are the tip of the iceberg, the more obvious irritations that have precipitated the revolt.

Underlying these immediate causes is a gap in salesmanship. Close this and there will be no need for more governmental watchdogs or more legislation to protect the consumer.

What's best for the consumer is best for the manufacturer—and the retailer. Every brand-name manufacturer long ago was committed to this basic precept; and every retailer of brand names shares the commitment to what is implicit in it; namely, the customer is king. But many of us have lost sight of that precept.

Admittedly, a good deal of the fun's gone out of shopping; it's become more of a chore than enjoyment. The crux of the matter is one of perspective. The retailer must not, and cannot, simply be a passive middle-man funneling goods from manufacturer to consumer.

Perhaps this—the impersonalization of selling—is the root cause of "consumerism," so virulent now that militant consumer groups are spawning abroad almost as fast as new political parties and maybe even faster than in the United States.

Customers everywhere expect and are demanding more of a company than producing a product for a price.

Furthermore, the consumer isn't just buying a product these days in an isolated, one-shot transaction. He's establishing a relationship in which brand name and the store are inextricably woven into a common pattern.

The growing desire for individuality, a sort of subliminal revolt against the mass merchandising of discount and other self-service operations, prompts today's shopper to seek a selling environment pleasing to himself. He wants good-looking things and more sophisticated items, and he wants them in an atmosphere that is in itself stimulating.

As a salesman, I'd say the answer is a return to fundamentals. I'm thinking specifically of the warm environment of the country store.

You may scoff at the thought of such cracker-barrel merchandising, but when you strip it down to the basics, today's more sophisticated consumer is really looking for the same kind of relationship with this store that Grandma found in the general store of her day.

If it was anything, it was personal. It provided a social experience.

She bought there, her friends bought there—and they did it unhurriedly and with pleasure.

What this all adds up to and spells out, says my associate, Harry B. Henshel, president of Bulova Watch Co., is that the American consumer wants to have confidence not only in what he buys, but also in the store in which he buys.

However, one thing must be clearly understood. This return to basics, to fundamentals in selling, must be paralleled with a similar rejuvenation in the art of salesmanship, in its broadest sense. To envision one without the other is like trying to ride a bicycle while kneeling.

Therefore, if we in retailing and those closely associated are to direct our own futures, we've got to relearn the lessons of salesmanship.

Are our salesmen up to it? Are we, as managers? Implicit here is the need for the highest art of salesmanship. To cope with the aroused customer, the salesman must stir himself. He won't be the whiz at gin rummy, the story-teller or the golf partner, but the man who offers ideas, information, stimulation, and counsel.

More salesmen have these attributes than their companies or their bosses realize. Unfortunately, nonconformity is often driven underground in the preoccupation with systems and techniques and scientific selling.

To encourage this initiative in our field men—which will give us the powerful feedback we desperately need to keep tuned-in with the consumer—we, as managers, too, have to modernize our minds as we've automated and updated, our machines through technology.

The degree to which the customer's tangible requirements are met and his or her intangible needs are satisfied will determine how long and how profitable (for all of us) this relationship is.

And if this means we must change our own programs, policies, philosophies and comfortable way of doing things, so be it.

Because, unless we do, rigor mortis will creep from the most distant salesmen right into the heart of the organization. **END**

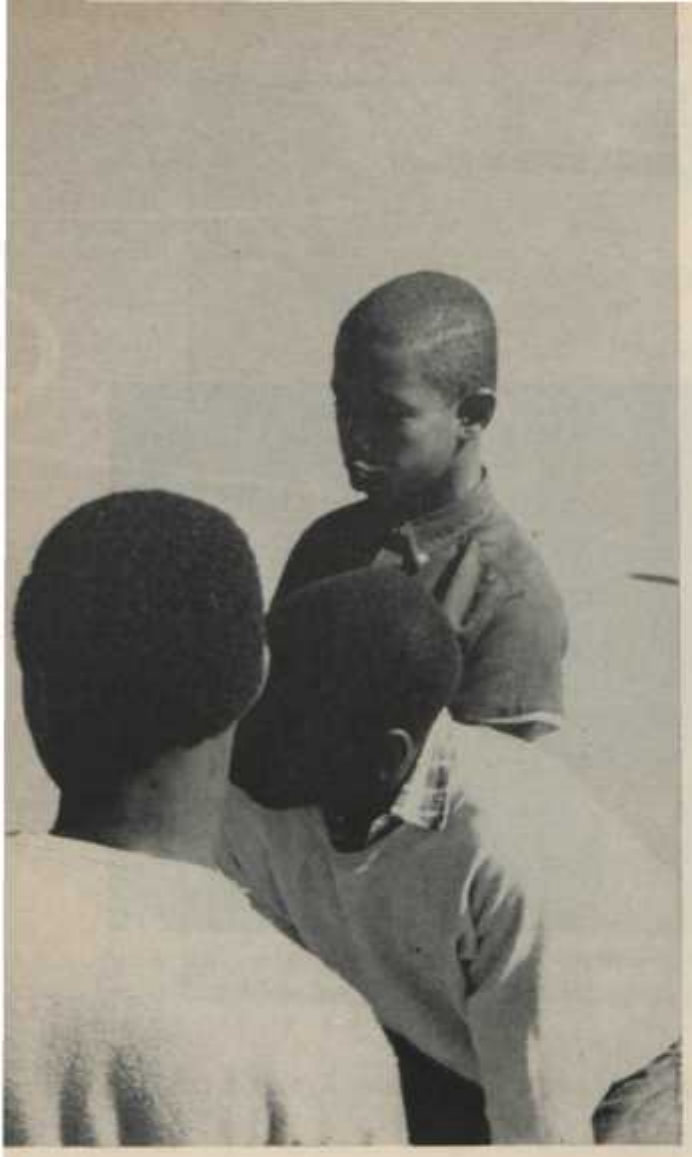
MICHAEL D. ROMAN, *author of this article, is vice president and national sales director of Bulova Watch Co.*



Baltimore Colts rookie guard Cornelius (Corny) Johnson gives playground pep talk to disadvantaged youths. He helped run Richmond's job program.

FIVE TIMES AS MANY JOBS FOR THE JOBLESS

One city's success story gives youths a new sense of dignity and belonging



Ask any opponent of Baltimore Colts' guard Cornelius O. Johnson and he'll tell you "Corny" is big and fast. Besides the ability to pull-out and lead running plays on the gridiron, Johnson also can get in and help lead his community in a unique civic action program.

Johnson's contribution, along with those of business, industry, government and city leaders and neighborhood residents, is one of the reasons the city of Richmond, Va., is hailing the success of its Chamber of Commerce Summer Job Program.

Richmond plunged into an experiment recently and came up with a formula, possibly the only one of its kind yet tried in the country, for solving one of the nation's gravest problems—finding jobs on a large scale for disadvantaged youngsters who would otherwise be wasting their time or getting in Dutch with the cops. What's so unique? Well, despite all the federal government's attempts to provide summer jobs and recreation for teenagers, there are many weaknesses in these programs including poor attendance, lack of facilities and the chronic complaint —too many youths for the jobs available.

At a Feb. 28, 1968, meeting of civic leaders called by the Richmond Area Community Council, a plan was born to avert a long, hot summer for 1,100 teenagers from five of the city's disadvantaged areas.

Alan S. Donnahoe, president of the Richmond Chamber of Commerce who is also President of Richmond Newspapers, Inc., came forward with his singular, "multiple-job units" proposal. It involved a program to create X number of positions to be filled by five different young people, ages 15 to 19, one day a week. On the other four days, the teenagers took part in educational, recreational and home-neighborhood improvement programs. The target was 2,000 jobs.

Instead of one youngster monopolizing one scarce job five days a week, five could get involved in the business world around them.

It took a bit of doing, but a remarkable adventure was launched at that meeting. A total of 74 Richmond businesses opened up jobs for enrollees in the program. Of these, 58 were supplied with applicants. The other 16 companies did not have slots filled because there were not enough boys available or their requirements were too high—such as the need for driver's licenses.

The youthful job-holders earned $25.60 a week, minus only social security taxes, since the government waived federal and state income tax deductions. The cost of the 58 participating business concerns was $64 a week for each job opening provided—$12.80 for each of the five workers. Federal Office of Economic Opportunity funds provided a like sum which was paid for a second day of community service work in the teenager's own neighborhood, such as cleaning up vacant lots, alleys, painting churches and helping the elderly.

Jobs supplied by the companies included clerical positions, manual laborers, grocery baggers, janitors, stockroom helpers, carpenters' helpers and telephone line checkers.

Others worked in banks, insurance companies, department stores, restaurants, trucking firms, small firms and big businesses.

Since each enrollee worked only one day a week, employers were able to judge which of the five workers was best suited for the job. In some cases, the best worker is being rewarded with a part-time winter job.

The Richmond school system, with federal aid, provided the educational program.

Making it come true

Of course, making Mr. Donnahoe's dream come true was not all that easy. From that February 28 meeting there followed the tedious steps of formulating definite plans, cutting through bureaucratic red tape

to get adequate funds and enlisting business and industry to provide the needed jobs.

Newman Hamblet, executive vice president of Thalhimers, Inc., one of Richmond's leading department stores, was made chairman of the summer job program committee.

An even bigger problem was recruiting the boys and girls who could have loafed the summer away instead of attaining a taste of achievement and a sense of importance.

Cornelius Johnson, the Colts' 20-year-old Negro guard, was a big aid in getting kids off the streets and into Richmond's summer job project. Rated the fastest lineman on the team, despite carrying 235 muscular pounds on his 6'2" frame, "Corny" is also the kind of guy that kids look up to—with respect. Young Johnson, a graduate of Virginia Union, had been hired for the summer to work as a job program coordinator for the Virginia Electric and Power Co.

But, whenever possible, he joined forces with Richmond's project director Dave Battle, a 45-year-old Negro physical education teacher at Mosby Junior High. They, with other counselors and staff members, toured parks, playgrounds, pool rooms and street corners spreading the word about the program and urging youngsters to join.

A cofounder of Richmond's Neighborhood Youth Corps, Mr. Battle has spent his summers working with young people since graduating in 1948 from Virginia State College where he was a football, baseball and track star.

Thomas C. Boushall, honorary chairman of the Bank of Virginia, along with Miles Cary, vice president of the Virginia Electric and Power Co., J. Phillips Coleman, honorary chairman of the First & Merchants National Bank, and H. Atwood Hitch, head of the Hitch Insurance Agency, formed a summer job program subcommittee to enlist Richmond business in the plan.

The response from local business was overwhelming and the program officially began operating on June 24, with each enrollee, probably for the first time in his or her life, earning the federally established minimum wage of $1.60 per hour.



PHOTO: RICHMOND NEWS-LEADER

Richmond Chamber of Commerce President Alan S. Donnahoe chats about unique job program with Jacquelin Baker, Freda Milford and Stan Taylor.

Another unique feature of the project was the use of team captains—"natural leaders" from the disadvantaged areas who did clerical work, project reviews, kept attendance and instructed the enrollees as to where they were supposed to be each day and what to do on community service cleanup projects.

Answering some basic questions

Richmond School Superintendent H. I. Willett coordinated the educational program. This component of the program occurred two days a week from 8:30 a.m. to 12:30 p.m. each day, operating in four Richmond schools: George Wythe, Maggie Walker, Mosby Junior High and John Marshall.

The youngsters, after observing their fellow workers in the operating business, found answers here to meaningful questions.

On each of the two four-hour school days, two hours were devoted to basics and two to so-called enrichment programs.

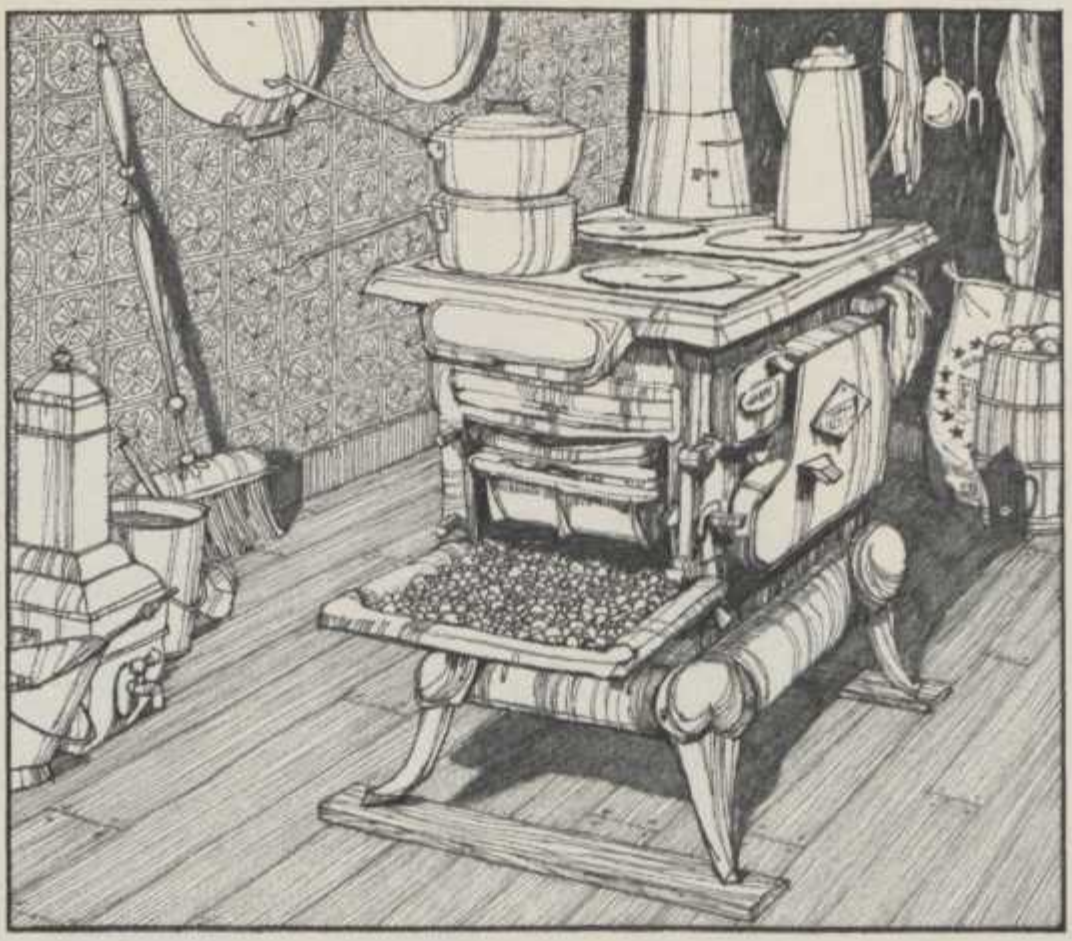
The basic area emphasized personal development and employability. It included such things as what an employer expects of a worker; how one makes an application for a job; how to get along with fellow workers; family relations; knowing your community; current events and social problems; making budgets and sex education for young adults.

Under the enrichment program were art, music, home economics, industrial arts and speech.

Public school teachers conducted the program in a relaxed, tension-free atmosphere. Discipline problems were reported to job program counselors rather than to school officials.

In the recreation field, sponsored by five United Givers Fund agencies and the Richmond City Department of Recreation and Parks, there were clinics in football, baseball, basketball, archery, swimming as well as organized team play.

There were also field trips to



It used to take Grandmother eight hours to fix Thanksgiving Dinner. She had no choice.

You've heard about the "good old days."

Well, this is what they looked like to your grandmother. This is where she spent most of her time.

Because grandmother's world was strictly do-it-yourself, every meal was a production. Even her breakfast porridge had to be cooked for an hour.

Thanksgiving was the longest day of the year. Plucking a turkey took time. Cranberry sauce didn't come in a can. She peeled, sliced, scraped, and cut her own vegetables. She not only baked the pies but, chances are, did her own bread and rolls, as well.

In fact, the "good old days" weren't all that good to grandmother. She'd have traded them cheerfully for one, good, up-to-date supermarket.

Instant oatmeal might have given her another hour in bed in the morning. And oh, the joy of a big, plump, packaged turkey, home from the store and ready for the oven. And the turkeys even taste better today—bigger, meatier, with less waste.

How did they get that way? The same way so many other parts of modern living have been improved. The competition between turkey breeders for more sales have driven them, over the years, to breed a better turkey.

Almost everything on the supermarket shelf is a product of that same kind of competition. Because it is competition that drives manufacturers to make things better, offer more variety and convenience. And keep prices low.

In the "good old days" grandpa worked twelve hours for the price of an 18-pound turkey. Today, he works only 3.2 hours. He worked forty minutes for a loaf of bread. Now it takes only five minutes.

Think about that the next time you hear some well-meaning person say there's too much competition today, too much choice in the marketplace, too many brands in the supermarket. They think the government should step in and restrict this competition.

But, since nobody knows for sure how far you can restrain competition without harming the economy, hadn't we better be careful? Do we want to give up the things that grandpa never had? Certainly, the less competition there is, the fewer new and improved products we'll see in the market.

In fact, if we're not careful, we may soon have good reasons to look back on today as the "good old days."

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GROW, GROW BY THE RAIL WAY

state parks. An evening program was produced at the Jewish Community Center's "action theater." Directed by a team of workers at the Virginia Museum Theater, the theater encouraged the teenagers to express themselves through drama. They created sets, designed and made costumes and during the program's final week in mid-August presented a play and a musical show.

School Superintendent Willett says the educational importance of the entire program is far greater than his capacity to estimate. Still a further segment of this ambitious project was the Summer Health Careers Program, created after a $97,000 grant was received by the job program from the U. S. Public Health Service.

Since the money could only be used for health-related programs, a project was designed in which 415 15-year-olds assisted in local hospitals and at the City Health Department. Moreover, they received instruction in health care and sound health habits.

Not only were the youths enthused about the entire program, but employers, too.

Because of her outstanding summer performance, Metropolitan National Bank has agreed to hire Paulette Belton, 19, part-time throughout the winter, so that she can attend John Tyler Community College.

Business enthusiastic

D. W. Eitner of the Chesapeake & Potomac Telephone Co., noting that the absentee rate of the youngsters was lower than that of regular employees, says the telephone company is enthusiastic about the program. He adds that supervisors have gained a new insight into the needs and actions of such young people and feels this is a group for drawing potential full-time employees.

Philip DeHart reports that Philip Morris, Inc., had a similar experience. Both recommend participation next year by their companies and add they will be happy to serve as references to other companies.

"How quick they are to learn," was the common comment of most employers.

To reward the enrollees of this "first time, anywhere" project, graduation ceremonies were held August 16 in the Mosque, Richmond's largest auditorium. Hundreds of proud parents and friends watched as the youngsters received handsome certificates of achievement and heard Mayor Phil J. Bagley call for an even "bigger and better" summer job program next year.

Earl West, who has taken speech as his enrichment course during the two days per week of education, was the valedictorian. He hailed the program for giving him and his fellow enrollees "a feeling of dignity" and a "sense of belonging." **END**



PHOTOS: COURTESY BROWN-THALHIMERS, INC.



Arthur Berry (above) shown working in carpentry shop and Dayton Allen (below) helping out in shoe repair shop were summer workers in Thalhimers Brothers department store.

THE NEW PRESIDENT'S BIGGEST CHALLENGE



Any new President of the United States in many respects is like a bridegroom: he's undertaking an awesome responsibility and he's going to have to sit down and decide how he's going to run his household.

Will he be easy going and expansive, willing to give his bride everything she wants?

Will he be cautious, budget-minded?

Will he be carefree, living for today and trusting for tomorrow?

Will he be methodical, set goals and meet one before moving to another?

The man who is sworn into office as President on Jan. 20 will assume the mantle of power in an almost unprecedented time of unrest, beset at home with multitudinous difficulty, embroiled abroad.

Some say the greatest challenge the new President will face is the war in Viet Nam.

Others say it is the crisis of the cities: riots, slums, hard-core unemployed, soaring crime; social woes: the aged, the ill, the uneducated, the needy.

Still others claim it is inflation that has gotten out of hand.

Actually the greatest challenge the new President will face is that of getting his money in order.

Without money, the war can't be won, decaying cities be rebuilt, the worker trained, the criminal caught, the social goals reached.

Without a sound dollar, no country can command the respect to lead and the worker's "fruits of toil" becomes an empty phrase.

The new President, whoever he is, will have to make hard decisions.

This is certainly true in defense, for the war in Viet Nam and beyond. And for domestic needs.

Some of these choices are obvious.

Will the new President cut federal spending, considered by many as the real culprit behind inflation and a shaky dollar? How much?

Will he spend more or less on the cities' problems? Again, how much?

What about credit restraints? Easy money vs. hard money?

Speaking of monetary policy issues expected in 1969, Federal Reserve Board member Andrew F. Brimmer says:

"In my personal judgment, the most critical issues will be posed by the performance of the national economy during the first half of 1969; fiscal and debt management policies and the deficit of the U. S. balance of payments."

The nation's economy and the factors that go into it are the guts of both the problems and challenges the new President faces.

The Bureau of the Budget's latest predictions on the 1969 fiscal year are for outlays of $184.4 billion, receipts of $179.4 billion and a deficit of $5 billion. Other estimates range as high as $8 billion.

But there is a torrid argument as to whether the 10 per cent tax surcharge enacted at mid-year has or will do the job intended: curb inflationary pressures and strengthen the dollar's position, especially if federal spending is not reduced as intended by Congress.

Mr. Brimmer and Budget Director Charles J. Zwick both contend that the tax rise will be effective, with the latter calling it "a major step toward putting our economic house in order."

The aim is a delicate balance, slowdown but not sluggishness and it is here the new President faces a ticklish dilemma in his first few months in office. All concerned warn that the business outlook for the second half of 1969 is murky.

There is always an initial period of a new President's dealings with Congress when the two are much like a pair of heavyweights scheduled for a 15-round bout. Each shadow boxes at first to find the other's style.

But the new President is already on notice from some of the Congressional giants they are in no mood for fiscal fireworks.

Chairman Wilbur Mills of the powerful House Ways and Means Committee says he will oppose any arbitrary requests for increases in the $365 billion debt ceiling (scheduled to revert to $358 billion June 30) and that only a compelling reason will change his mind.

The new President will face a Congressional mood that the time has come for a sweeping look at what the government is doing or attempting to do with its various programs.

"I've begun to be concerned about our ability to review and amend existing programs because of the tremendous amount of time required in considering new spending programs," says Mr. Mills.

Other voices of concern are raised on the challenges that loom.

"The security we seek to preserve can come under an attack from many different directions and the danger is no less great whether the threat is styled economic, political, social or military," Commerce Secretary C. R. Smith says.

"Underlying our ability to defend against most, if not all, threats to our security is a free and vibrant economy. Without the resources provided by business and commerce, we could not, of course, support a defense budget running into many billions of dollars."

The danger, he warns, is of pricing ourselves out of the foreign market.

"Inflation, if left unchecked, can reduce us to a second-class trading power."

To Roger Blough, chairman of the board of United States Steel Corp., the shortage of capital is the most persistent economic problem facing the world today.

He notes that to raise the per capita output of 1.75 billion people in the rest of the free world from $500 a year to about $1,500, about half that of the U. S., will require an increase in output of $1.75 trillion or, on the accepted formula of four dollars of capital to produce one dollar, about $7 trillion of capital.

It is this tremendous demand for capital, Mr. Blough says, that makes it imperative that the critical role of private savings be recognized.

These savings are the "seed money" of economic growth and are the resources of banks, insurance companies and the financial community for financing the investments and improvements of both private enterprise and government. If government absorbs too much of the people's money, growth could be stifled.

This, then, is another persuasive argument that the greatest chal-



THE NEW PRESIDENT'S BIGGEST CHALLENGE *continued*

lenge the new President will face is money and the need to manage it just right.

The violent political events of 1968 have dimmed the memory of the dollar crisis of late 1967 and earlier this year and the steps taken to shore up the nation's currency.

"It is almost trite to stress that the continuing deficit in our balance of payments will be a major issue for monetary policy in 1969," says Mr. Brimmer.

The ratio of out-go of U.S. dollars to those coming home is still one-sided, though vastly improved. For the first half of the year there was about an $800 million deficit, or an annual rate of $1.7 billion, compared to a $3.7 billion deficit for 1967.

But mandatory controls on investments abroad by U. S. business is viewed by many as a Pandora's box of trouble for the future.

In this time of challenge at the changing of the guard, there is an eerie paradox of vast unease and vast attainment: high employment, soaring wages, record savings, growing accumulation of the "good life" possessions.

Against this backdrop, the challenges and the options to the new President are many.

Charles L. Schultze, a former director of the Bureau of the Budget and now with the prestigious Brookings Institution, forecasts a few possibilities:

The budget is likely to go into balance by the second quarter of 1969. If the surtax continues and Viet Nam expenses do not increase, the budget could continue in balance until 1970. But there will be considerable spending demands that probably will up the budget $2 to $6 billion over the next year, but nowhere near the $20 billion hike of the past year.

Revenues will increase because of the surtax and increased social security tax, which will add about $3 billion more to government income over the next year.

A longer-run budget outlook will have to consider these factors:

—Pay of federal civilian and military employees already provided by law will rise $3 billion to $3.5 billion for fiscal 1970, which starts July 1.

—Inflation, even if it dwindles to just over two per cent, will add $2 billion to federal spending.

—Medicare spending will rise by a half-billion a year.

—Health, education, welfare and housing programs will cost $2 billion to $3 billion more over the next two years.

—Social Security payout increases are likely as revenues rise.

Another area of sizable spending is federal grants-in-aid, amounting to some $21.8 billion and spread over 1,271 different programs according to a study by Rep. William Roth of Delaware. Of this total, some $15 billion went to states and the remainder to local governments and individuals.

Highway construction, long the major recipient of federal aid, is a large question mark in future spending. The purse strings have been held tight on this in recent years, but there is clamoring on all sides for more roads.

The process of collecting data on which the fiscal 1970 budget will be based is now under way. By law, this budget will be submitted by the outgoing President before his successor takes office. But there is

an office waiting in the Budget Bureau for a representative designated by the Chief Executive-elect, so that there will be an awareness by the new Administration of factors that went into it.

Sound solutions for some of the fiscal challenges have been suggested.

One is the hope that PPBS—Planning, Programming, Budgeting System—will become the effective tool envisioned in the preparation and execution of federal spending.

This is the systems analysis approach all departments of the government are charged to use in identifying goals, setting priorities, developing and analysing alternative means of reaching these goals and accurately figuring probable costs.

It is a system widely heralded for its effectiveness in the Defense Department under former Secretary Robert S. McNamara, though there is broad disagreement on just how new the approach is and just how effective it can be for agencies dealing with politically oriented programs such as those carried out by the State Department.

President Johnson, who ordered its adoption by all departments, saw it as a powerful tool which could produce meaningful results.

Other possible solutions to some of the challenges of the new President would be:

—Encouraging private enterprise to undertake a larger share in solving the problems of the ghettos. Some congressmen have suggested with some form of tax incentives to back the risk ventures.

—The hope a more reasonable agriculture-subsidy program can be devised, one that would please the farmer as well as ease the strain of federal support.

—A review of the foreign aid program.

There are those who view an end to the war in Viet Nam, or at least a drastic curtailment, as a panacea for difficulties of the nation. Others are quick to say this is not so.

Knowledgeable authorities claim the Soviet take-over in Czechoslovakia jolted any thoughts about relaxation of defense spending. And they say any withdrawal of our forces in Viet Nam, through rapid assumption of more combat duties by South Vietnamese forces or a cease fire, will be gradual.

Pentagon officials tacitly confirm some needed modernization of U. S. forces has been postponed because of the war and they want to get on with this at first opportunity. (The Administration won't admit any foot-dragging.)

The question will boil down to how much—how much the country can afford.

Military planners contend they have a long list of needs: new aircraft and missiles such as Minute Man III for the Air Force; Poseidon missiles, modernization of the fleet and new keel starts for the Navy; a new family of helicopters and ground mobility vehicles for the Army. Plus the new Sentinel anti-ballistic missile system. The authoritative *Armed Forces Management Magazine* reports that along with modernization of the services a "near explosion" in new equipment starts is expected.

If the budget can stand it, Defense wants to procure a self-propelled 155-mm howitzer, a rapid fire 105-mm howitzer system, a new battle tank for the Seventies. The Navy expects to see advances in the procurement of a new family of destroyers, mine counter-measure support ships, continued development of the advanced surface missile system, improvements to the amphibious support. It has authorization for eight new vessels and 16 conversions, including two nuclear submarines.

Plans for modernization and upgrading for the Air Force include the SRAM (Short Range Attack) and SCAD (Subsonic Cruise Armed Decoy) missiles; development of a hard rock silo for Minuteman III missiles and continuation of development of MIRV (Multiple Independent Re-entry Vehicles), the nose cone that spews out a dozen or so warheads and penetration devices to overwhelm anti-ballistic missile defenses.

By far the largest dollar allocations will go to aircraft procurement for all the services. The Army is pressing for more airmobile capability and the Air Force and Navy are anxious to start new aircraft to handle requirements of the future.

Out of the approximately $72 billion defense bill recommended by House and Senate Committees, some $20 billion is for procurement of the hardware of defense.

Any man who sits behind the desk in the oval room of the west wing of the White House faces these challenges. His options are many, but tough. His decisions affect the nation, its people with their hopes and dreams. Indeed, they affect the world and its future. **END**



BUSINESS: A LOOK AHEAD

Decay killer for toothpaste makers
(Agriculture)

British seek U. S. markets
(Foreign trade)

Selecting a merger target
(Manufacturing)

AGRICULTURE

Agricultural research project offering promise in combating tooth decay gets more than a few nibbles from business.

Agriculture Department's team that developed first commercial process for producing penicillin back during World War II now has developed culture that breaks down bacteria-bearing film that adheres to teeth and causes decay.

Experimental culture directly attacks sugar compounds that serve as binder holding film together.

Research lab at Peoria, Ill., reports that at least 10 firms and one university have asked for culture samples to aid in developing new types of toothpaste, powders and mouthwash.

Public Health Service already has demonstrated usefulness of culture in combating cavities among research animals.

Agriculture Department spokesman theorizes that sole remaining step before commercial development is clearance by Food and Drug Administration to assure effectiveness of product and absence of any side effects.

CONSTRUCTION

Nation's construction industry will be under pressure in decades ahead to provide jobs to combat unemployment among comparatively unskilled as automation continues and Viet Nam demands decline.

So says Sal Massimino, publisher of "Contractors and Engineers Magazine." Argument goes this way:

Construction is least likely of nonagricultural industries to become automated and may be called on to assume larger burden in supplying jobs.

This in turn demands greatly expanded job training programs.

At same time, home-building industry is trying to combat high labor costs of construction by pushing for new materials, greater standardization and prefabrication of components.

Scarcity of skills also creates demand for equipment suitable for use by workers with less training.

CREDIT & FINANCE

Regardless of Presidential outcome, prospects are for government spending measures that could build into federal budget new resistance to cuts, some say. This in turn would limit Administration and Congressional ability to curb inflation while avoiding high interest rates.

New measure is revenue sharing—distributing federal revenues to states and localities for use as local needs dictate. Mess created by bureaucracy-bound grant-in-aid programs builds support for revenue sharing as an alternative.

Richard Nixon gives major campaign emphasis to revenue sharing; Hubert Humphrey also favors the principle, but on far smaller scale.

Critics of approach, like Rep. Tom Curtis (R—Mo.) and a Senate candidate, view it as another means of continuing local dependency on federal revenues with consequent political resistance to federal spending cuts. Vice President Humphrey also favors higher social security benefits, financed partly by supplementing social security trust fund from general Treasury revenues.

Yet Administration argues that opportunities for reducing spending are few because of high level of "relatively uncontrollable expenditures" built into budget by long-term Congressional commitments.

FOREIGN TRADE

Great Britain pushes export drive in United States as part of long-term effort to cure balance of trade problem.

Government says officially supported trade missions here mushroomed from only four in 1965 to nearly three dozen this year.

There's lag, of course, between such efforts and pay-off in terms of increased sales.

Meanwhile, British firms also participated with government support in

American trade fairs, increasing from a half dozen fairs to more than 50 over same period.

British exports to United States rose by 251 per cent in 10-year period ending last year when volume stood at $1.7 billion. (That's still $554 million less than U. S. exports to Britain same year.)

Acting through Board of Trade, Britain is now going into computerized handling of data on exports and prospects with system roughly like one developed by U. S. Commerce Department.

MANUFACTURING

Mergers now rampant on business scene appear best hope of success for growth companies.

That's betting by "Mergers and Acquisitions," which began as a journal recording such transactions, branched into consulting and now is setting up conferences to explore all aspects of mergers and computerized register of potential sellers and buyers.

M & A takes view that the best prospect for merger is a small company with good management willing to stay on, making progress in a growth industry but needing great infusions of capital and management direction that large corporate parent can provide.

Conference in Washington later this month will focus on management and governmental problems involved in mergers, plus "match-up" operation designed to get buyers and sellers together in highly competitive sellers' market.

MARKETING

Salesmen in future must be more sensitive to developments outside their own companies as process of change accelerates.

This is one major theme of book "Creative Selling and Sales Management," published by Sales and Marketing Executives-International, New York.

"Selling is the corporate process that relates the company to its environment," writes author Albert H. Dunn, professor of marketing at University of Delaware.

He lists changes in company environment such as increased committee buying, proliferation of new materials, new knowledge of space and the oceans, expansion of leisure time, increasing government influence on selling operations.

Prof. Dunn discusses marketing strategy aimed at coping with change in terms of creativity—uninhibited and wide-ranging brainstorming—and hard-nosed, sharp-pencil analysis needed to harness output of such creative tbought.

NATURAL RESOURCES

Soaring energy demands in the United States promise intense competition among resources and for government support in decades ahead.

Oil industry alone gives some clue. Offshore operations represent an investment of $7 billion in waters off the continental United States, including more than $1 billion in the first half of this year.

Industry advisory group known as National Petroleum Council notes that production drilling now is limited to 100 meters in depth, though 400 meters is considered attainable in next three to five years, 1,500 to 2,000 meters within next 10 years.

As risks and cost increase with depth, however, economics may dictate greater efforts in developing oil shale, tar sand and coal conversion as more competitive.

There's much talk about developing a national fuel policy designed to bring government energy policies in line with problems of competing industries.

Ford Foundation subsidiary, Resources for the Future, has drafted massive "agenda for research" for White House Office of Science and Technology.

OST figures it would cost $1 million merely to study high-priority questions raised by RFF. It asked for $500,000—is winding up with about $50,000.

TRANSPORTATION

New legislation involving transportation is forecast by Harold F. Hammond, president of Transportation Association of America.

In recent statement, he forecast, regardless of candidate elected to Presidency:

1. Greater emphasis on safety legislation involving transportation.

2. Stepped-up efforts in field of urban mass transportation, both commuter transit and high-speed trains.

3. A larger role for new Department of Transportation in regulating competition among carriers and shaping future role of various forms of transportation.

Others, including highway advocates, suspect that highway trust fund will be under greater pressure for spending for nonhighway purposes, particularly urban mass transit.

And battle for budget dollar is expected to raise anew big question of user taxes to finance transport facilities and services.

PHOTOS: A. Y. OWEN—BLACK STAR

AFTER 130 YEARS...

AN END TO THE MOUNTING MAIL MESS?



Don Page checks area map before van is loaded with material to be delivered by private postal firm.



Post Office truck (background) and Independent Post Office van travel almost identical paths.

Former Postmaster General Lawrence F. O'Brien not long ago commented facetiously that the United States Post Office Department reminded him of the old definition of an elephant: "A mouse built to government specifications."

This might be funny except for the fact that the government-owned postal system of this country is in grave danger of collapse.

It is mired in a tangle of political interference, bureaucratic inefficiency, continuing and mounting deficits, lagging productivity, antiquated hiring practices, horse-and-buggy methods and has become almost totally unresponsive to public needs.

In short, the postal establishment is one monumental, horrendous mess.

Everybody has a complaint, from the housewife whose favorite magazine is delivered weeks late to the business executive whose company depends so heavily on the prompt delivery of bills, checks and correspondence.

In the opening paragraph of the President's Commission on Postal Organization (the so-called Kappel Report) issued in June, 1968, the full sweep of the dilemma is summed up:

"The United States Post Office faces a crisis. Each year it slips further behind the rest of the economy in service, in efficiency and in meeting its responsibilities as an employer. Each year it operates at a huge financial loss. No one realizes the magnitude of this crisis more than the postal managers and employees who daily bear the staggering burden of moving the nation's mail. The remedy lies beyond their control."

Is there a way out of the postal quagmire? That's hard to say. Obviously, it is easier to pinpoint the problem than to solve it. Almost everyone agrees that the need to shore up the creaking postal machine is urgent.

The Presidential Commission, a blue-ribbon panel headed by retired AT&T Chairman Frederick R. Kappel, made its diagnosis after long study and offered a prescription: Turn the postal operation over to a government-owned corporation that would operate on a businesslike basis.

Next move is up to President Johnson but it is hardly likely he will act on the Kappel recommendations before leaving office. And no one seriously expects Congress to readily relinquish its control over the Post Office. It not only oversees postal patronage but dictates postal rates, wages and largely decides the size and location of every postal installation.

Business' big stake

American business, meanwhile, has an overriding interest in the future of the postal system. The mails today are used primarily for commercial purposes. According to the Kappel report, business originates a whopping 74 per cent of all the mail moving through the system.

Because of steadily rising postal rates, the appalling uncertainty of delivery schedules and other factors, business is looking elsewhere for relief. More and more companies rely on the long-distance telephone. Unlike the Post Office, where the gap between wage scales and productivity continues to widen, the telephone company has managed to cut tolls while expanding service.

Private mail service is springing up all across the country. While the Post Office, whose monopoly status is protected by Congress, does not allow private delivery of first-class mail, it does permit the collection of letters from business firms or individuals for delivery to a post office.

With private delivery service hundreds of companies are now able to get their incoming mail promptly in the morning and have outgoing letters trucked to the post office in late afternoon.

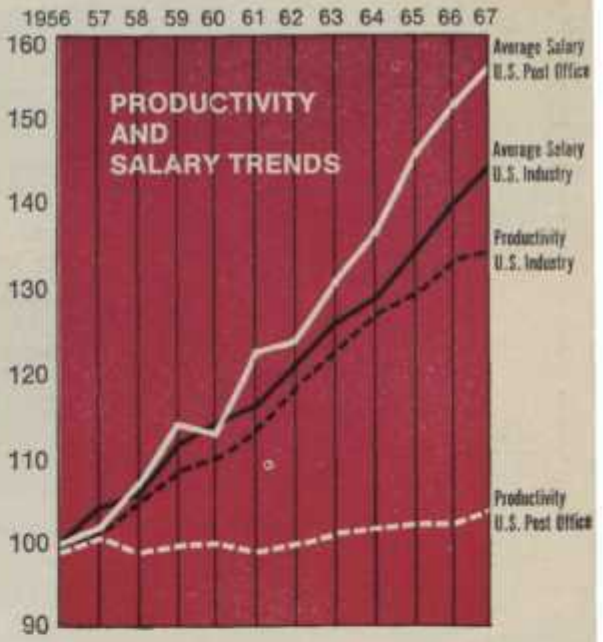
The M. J. Santulli Mail Service in New York City, for example, has some 80 trucks in service and regularly handles about 3,000 bags of mail a day or the equivalent of 30 million letters. Another is the Dumor Mail Pick-Up Service which picks up and delivers on precise schedule. They have such clients as the AFL-CIO, St. Francis of Assisi Church and the National Biscuit Co.

But the most ambitious entry into the private mail service began last spring in Oklahoma City. Under the name of Independent Postal System of America, it has spread its operations throughout the state and has established franchise outlets in a dozen cities. Some 200 cities in all 50 states, as well as Canada, are negotiating with IPSA to operate franchises.

IPSA at this time deals only in third-class mail—some call it "junk" mail—that includes advertising cir-



PHOTO: MERKLE PRESS



Congress controls operations and purse strings of post office, and employee union representatives such as Patrick Nilan of United Federation of Postal Clerks (left) and Emmet Andrews testify regularly before committees on worker pay, benefits.

culars, catalogs and the like. Its promoters, however, are now dickering with several large national magazines and IPSA may move into that delivery field as well.

Usually in the red

Complaints about postal service are, of course, not new. George Washington's Postmaster General, Samuel Osgood, filed a blistering report on the inadequacy of the service in 1789 when his department turned up a $40 deficit.

It is sometimes said the Post Office is by all odds the nation's worst-run business, year in and year out. The facts would seem to support this. In its 130-year history the Post Office has made a profit in only 17.

No private business would long survive if it operated like the Post Office. Congress must assume a lion's share of the blame because it has fostered many of the shoddy practices under which the Post Office is compelled to operate.

Although no postal employees are permitted to strike against the government, they are represented by no less than 11 unions, some of them the most powerful in Washington. For the most part these unions deal directly with Congress and bypass the Post Office Department almost completely.

In the past eight years alone these powerful lobbies have put through seven pay raises for postal workers, increasing the average pay by some 40 per cent. But by no means has productivity matched the increase in wages.

The Kappel investigation found that in the private sector of the economy a unit of capital and labor in 1967 produced 34 per cent more output than it did in 1958. But over the same period the increase in mail service per unit of capital and labor was only 2.5 per cent.

When Congress ordered a cutback of federal employment last summer, as part of the tax increase bill, the Post Office was among the first to scream. Postmaster General Marvin Watson suddenly announced plans to shut down 9,000 small post offices and eliminate Saturday mail deliveries. He said the cutback order would force him to lop 83,238 employees off the postal payroll.

The postal workers were finally exempted when an amendment was successfully tacked on to an innocuous bill dealing with the Postmaster General's right to discipline postmen for assaulting one another. The Senate Post Office Committee report on the bill explained that the postal workers were needed to handle, among other things, the heavy volume of "political mail" expected during a Presidential election year.

Making it pay

If, as the Kappel report suggests, only the tried and true methods of the private enterprise system can save the Post Office, it may be that the experiment launched in Oklahoma City will serve as a guiding light. Already, the Independent Postal System of America not only is turning a profit, say its promoters, but many business firms are standing in line waiting to be served.

Like many new business ventures this one was started over a cup of coffee. Darrell Hinshaw, a 31-year-old Oklahoma City contractor, casually mentioned to his coffee partner, Tom Murray, a 41-year-old Irish immigrant, that he had given a lot of thought to setting up an industrial postal service in the Oklahoma capital.

"I saw immediately the need for such a business," recalls Mr. Murray who was then operating a hotel management chain in Oklahoma City. "Darrell had worked up some very detailed projections on what could be done in Oklahoma City. That was all I needed."

Mr. Murray took figures compiled by Mr. Hinshaw, closeted himself in his home for a week, and emerged with a master plan for the entire United States.

"I was convinced that free enterprise could do a better job than any government in business," Mr. Murray says. "I also convinced myself that here the government was handling $11 billion worth of bulk mail a year and doing a lousy job of it."

Almost overnight Mr. Murray

Most 3.547¢ per copy copiers are very reliable. They're guaranteed to cost 7.094¢ per copy.

Most copier salesmen are also very reliable.

When they quote the cost per copy price, they almost never include the price of paper, toner, repairs and maintenance.

Why? Because they don't know what those costs are going to be.

GAF is one company that makes its own paper, its own toner, its own machines and its own repairmen. So we're the company that knows what those costs are going to be. And we're the company that includes them in the cost per copy price. So whether you lease a Gafax™ 500, buy one outright, or contract for one, your GAF salesman will tell you exactly what your cost per copy will be.

GAF Corporation
Office Systems Products
Dept. IFK. 140 W. 51 St., N.Y., N.Y. 10020
☐ I'm convinced. Have a salesman call.
☐ I'm convinced. Please send information.

Name_____

Company_____

Address_____

Position_____ Phone_____

City_____ State_____ Zip_____



The Gafax 500

gaf

raised $2 million among a handful of investors, picked a name for the company, and began delivering third-class mail last February.

$26 and a dream

Tom Murray epitomizes the American success story. He came to Detroit in 1950 with $26 in his pocket and $650 in debt, the price of the trip from his native Sligo County, Ireland. Although he had managed the famous Hotel Gresham in Dublin, he had to start at the bottom in Detroit, as a bellhop in the Madison-Lenox.

Soon he became room clerk at the Detroit hotel, making $180 a month and selling shoes door-to-door on the side.

Almost five years to the day after he arrived in America, Tom Murray was naturalized. Some 500 businessmen turned out for a luncheon in his honor. The mayor of Detroit declared "Tom Murray Day." By then Mr. Murray had become director of the Madison-Lenox and had immersed himself in numerous business and civic affairs of the city.

Adversity and challenge had not been new for this young Irishman. At 16 he was stricken with rheumatic fever and a leaky heart valve and his doctors cautioned him never to walk fast. Five years later he ran the mile in 4:12 minutes in the 1948 Olympics tryouts, the year when a new record was set at 4:7 minutes.

"I was born to be exported," Murray says today. "I believed in the American dream."

The proposition offered to Oklahoma City business firms by Mr. Murray and the Independent Postal System of America was simple: They would deliver bulk mail on a pre-arranged schedule and at less cost than the Post Office. Everything would be on consignment. No contracts.

"What could they lose?" Mr. Murray explains. "The Post Office was charging $36 to deliver a thousand pieces of mail and we offered to do it for $25. And we were also saving them the cost of addressing each piece."

IPSA's initial delivery last February was for 60,000 pieces of advertising. This quickly jumped to 300,000, then a million and today runs into many millions a month. It has such clients as Montgomery Ward, Sears Roebuck & Co., J. C. Penney & Co., and a number of local and regional retail stores.

IPSA has a fleet of trucks and employs approximately 200 private postmen in Oklahoma City alone. For every 10 postmen there is a supervisor who drops off his crew in designated areas at the start of each day's delivery. For every three supervisors there is an area manager.

Orville R. de Claire, former Michigan state official who is now vice president and general manager of IPSA operations in Oklahoma, says the supervisors and area managers double back over their postmen's routes to insure delivery at every household.

"One major chain store put us to the test by instructing its 1,500 employees to report back on one of our deliveries," he remembers. "The results were so good we have received many orders since."

By law IPSA is not allowed to use residential mailboxes so the company uses plastic bags containing the advertising matter which are hung on each door. This Post Office restriction has rankled many people who contend the mailbox is their personal property and not subject to government control.

A Bremerton, Wash., man wrote IPSA: "If and when your company delivers any mail here, you have my unreserved permission to use my mailbox, which belongs to me, bought and paid for. If the U. S. Post Office doesn't like it, they can go—you know where—in short order."

IPSA is starting service soon in Edmonton, Alberta, Canada, where the government has authorized it to use individual mailboxes. Mr. Murray says this may be used as part of a test case to obtain permission to use mailboxes in this country.

Otasco, a division of the McCrory Corp., reaches families in 16 Oklahoma communities through services of IPSA delivery men. Some 500,000 pieces of advertising material are distributed in each delivery.

"Our store managers feel they are getting very good distribution," reports John Redding, manager of catalog promotion for the nationwide chain. "I would say one of its (IPSA) best features is its flexibility. If a snowstorm moves in suddenly, we can call off delivery on short notice. You can't do that with the Post Office."

IPSA has set up a wholly-owned subsidiary in Tulsa called BKE and Associates to act as its exclusive franchise agent. In general, franchises are sold for $10,000 for each 100,000 population, plus four per cent of gross business.

The first of the out-of-state franchises was started this summer in Dallas on which occasion Mayor Erik Jonsson proclaimed "Independent Postal System of America Day." At opening day ceremonies two pretty models strolled around in paper costumes fashioned from samples of third-class mail. A banner on one of the young ladies read, "Uncle Sam Says I'm Third Class." The banner on the other said, "IPSA Treats Me First Class."

Welcomed with open arms

Don Replogle, who formerly was in the oil and trucking business, is the Dallas franchisee. He told NATION'S BUSINESS:

"Anybody who uses the Post Office welcomes us with open arms."

Mr. De Claire, the general manager in Oklahoma, says only the shortage of trained personnel is slowing down the opening of more franchises around the country. Some of his better supervisors, who move from city to city to help launch new franchises, began only a few months ago as door-to-door deliverymen.

Although IPSA offers its postmen regular raises, hospitalization and shortly a chance to participate in company profit-sharing, it is having difficulty hiring people. Many college students worked during the summer but they have returned to school.

Despite all the publicity IPSA has received, according to Tom Murray, "not a single public employment agency has come to us and when we have gone to them they haven't produced a thing."

Where does this new private postal system go from here? Mr. De Claire predicts that within three or four years, IPSA will have some 400 offices across the United States employing some 500,000 persons and using between 25,000 and 30,000 delivery trucks.

Tom Murray says, "We're willing to prove that private enterprise can put the Post Office out of business if necessary. They've proven they can't do the job in a businesslike way, piling deficit on top of deficit. Well, we can take it off their hands and still pay the taxes the free enterprise system is required to pay."

Nothing has happened so far to shatter Tom Murray's firm belief in the American dream. **END**

DICTAPHONE INTRODUCES A BRAND-NEW COMPACT.

Dictaphone's engineers in Switzerland have invented an ingeniously simple office compact that does just about everything. Except maybe sharpen your pencils. It's called the "400."

Dictate to it. Transcribe from it. Record telephone conversations with it. Record entire conferences with it.

And good news for your secretary. The whole machine weighs just 6½ pounds. Which is several pounds lighter than most comparable dictating-transcribing machines.

Under your thumb. The new Dictaphone "400" is remarkably easy to operate. One button in the mike runs everything: Record, Stop/Start, Playback and Backspace.

Oops. Make a mistake and you can erase every syllable instantly—and accurately. Instead of tapes or belts, it uses a unique magnetic sound sheet that records as many as four or five letters and can be used dozens of times.

The Dictaphone "400" has one more little virtue—its nice low price.

Ask a Dictaphone man to put the compact "400" through its paces for you soon.

Dictaphone

Dictaphone is a trademark of Dictaphone Corporation, Rye, New York.



IT'S GOT EVERYTHING BUT POWER STEERING.

HOW TO CUT OFFICE COSTS 20 PER CENT

You can increase productivity, too, by following the advice from this expert

HUNDREDS OF WHITE-COLLAR JOBS WILL BE DROPPED BY XYZ CORP.

That newspaper headline indicates a growing trend. More and more executives recognize the great potential for cutting costs by operating their offices more efficiently.

This realization is long overdue.

In the past, the hard-headed approach to control of costs and productivity was used primarily in the plant. As a result, blue-collar productivity gained 83 per cent in the past 10 years. Compare that with a 10-year gain of only four per cent in the office.

This disparity makes little sense when you examine the emerging pattern of change in the nation's work force.

Two decades ago plant workers outnumbered office employees by about three to two. Today the ratio is reversed.

Twenty years from now white-collar workers will outnumber blue two to one.

These figures show good reason for drawing a sharper bead on the office as a target for cost improvement. In most companies, plant operations have already been scrutinized for cost-cutting opportunities, while the office has not. Thus, in most companies, the opportunity for savings is great.

New approach needed?

Eighty-three per cent plant improvement is an impressive figure. If factory techniques are so successful, why not simply apply them to office tasks?

Anyone who tries it is certain to find that it just won't work. For one thing, office workers are different. A consultant won't get acceptance in the shop unless he has "dirt under his fingernails," and he won't get acceptance in the office if he does.

This probably explains why some managers, shunning the calloused hand, settle for hands off altogether in the office. This is a mistake. Experience proves that techniques which boost plant productivity work with equal success in the office—provided they are adapted to office conditions and tactfully applied.

Here are five proven ways to cut costs and improve operations in the office. Companies that adopt them typically achieve cost improvement gains of 20 to 25 per cent in offices large or small.

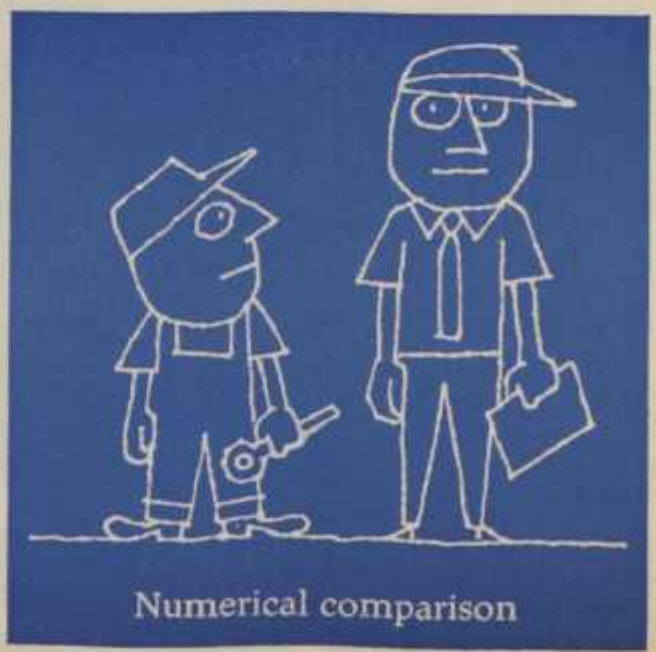
- Use proven methods of office work measurement.
- Integrate your data processing regardless of size.
- If you can't automate, mechanize to the hilt.
- Cash in on Methods Engineering strategies.
- Cut office fat with Administrative Value Analysis.

1. Use proven work measurement methods

Before a task can be controlled, it must first be measured. This applies as much to an invoicing operation as to a piecework job in the plant.

There are, however, differences that must be clearly recognized. Walking into the office with a stopwatch in your hand would be a grievous mistake. In fact, you won't even need it.

Well-established time standards are already available covering most office operations. Mostly, the standards apply to repetitive tasks such as typing,



Numerical comparison

WILLIAM K. HODSON, *author of this article, is president of H. B. Maynard and Co., Inc., New York management consultants. Mr. Hodson is past president of the American Institute of Industrial Engineers and an authority, also, in the field of management sciences.*

calculating, key-punching or the stuffing of envelopes.

Chores that are harder to measure—errands, job turnover, the gathering of nonroutine information—are included as a percentage of the measured work. One-time projects, such as year-end reports, are not measured at all.

Standards are best applied to the routine tasks that make up the bulk of the work. The result is a standard hours factor applied to each significant task. This is determined by the amount of time required to process 100 items.

For instance, if we find we need two hours to process efficiently 100 invoices, the standard hour factor for that job is 2.0/100.

When we multiply this factor by the actual number of items processed in any single week, we get the number of hours that should have been spent on that job.

Thus, if 5,000 invoices were processed, the working time should have been no more than 100 hours (5,000 x 2.0 ÷ 100 = 100).

Once this is established, it's easy to rate a department's performance fairly and accurately. It also permits department by department comparisons—purchasing versus personnel or accounting.

The ultimate goal is to determine how much it costs each department to produce a standard hour of work, regardless of the work done. The emphasis is on the department, not the individual.

How does the factory-originated system work?

We recently set one up for a major machine product company that was experiencing serious difficulties with rising office costs. The invoicing department was selected as a pilot operation.

To begin with, each repetitive job was analyzed and measured, with an allowance made for the small percentage of nonrepetitive tasks. The basic measuring unit we used was the standard hour. This is the quantity of work that one man can do in one hour.

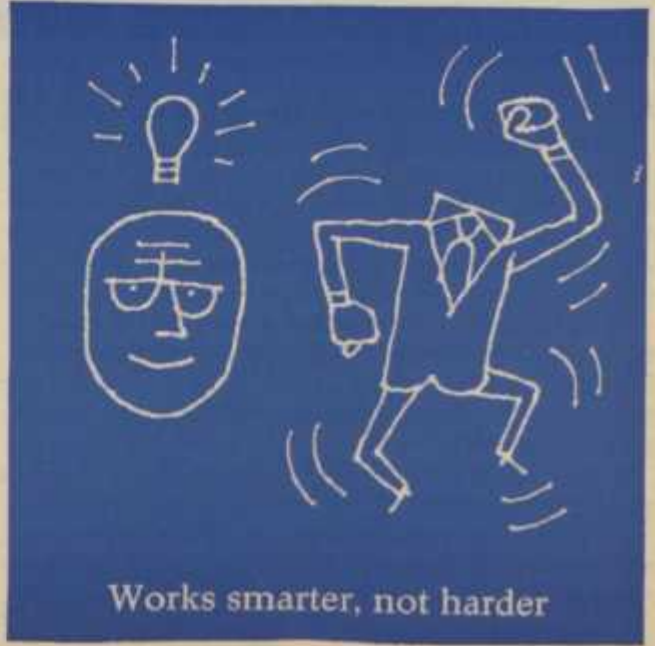
To measure performance, we compared the actual total of hours and output to the standard hour total. We also compared the standard hour total to the payroll to determine the company's cost per standard hour. This translated the data into dollars and cents.

Because this method relates productivity to all actual costs, it is a true gauge of supervisory effective-

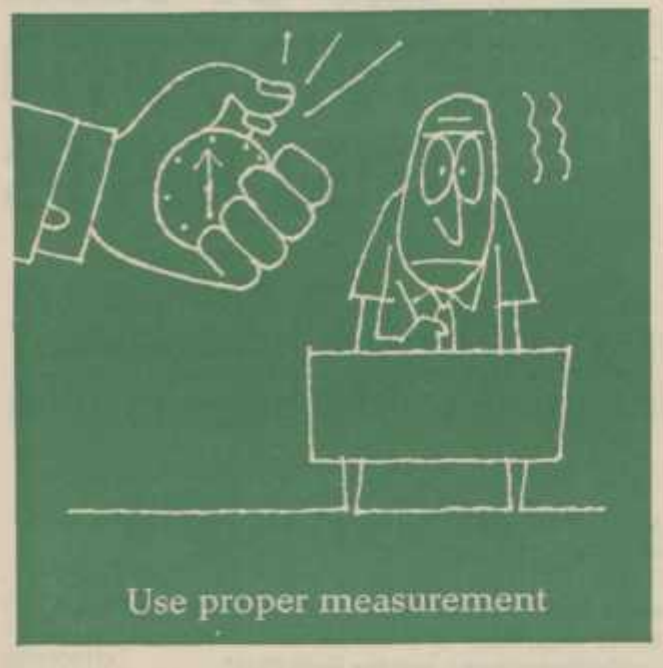
DRAWINGS BY CHARLES A. DUNN



Productivity comparison



Works smarter, not harder



ness. What management winds up with is a concise weekly print-out of three factors:

- What costs were during past weeks.
- What they are now.
- What they should be in the future, based on reasonable expectations.

Armed with this information, it becomes the supervisor's responsibility to make job assignments that fully utilize his staff. The aim is to work smarter, not harder. At our client's company, in 10 weeks the cost per standard hour of work fell from $3.54 to $2.75. Manpower savings are achieved in two ways:

Normal attrition, whereby workers who resign are not replaced. New hiring, normally required to staff an expanding operation, is curtailed.

The benefits of a carefully applied program of office work standards can be far-reaching. Costs per standard hour are readily understood by all. Savings are reflected as an improved rate of output.

Most important, the onus of profit improvement is on the supervisor, where it belongs.

2. *Integrate your data processing*

In many offices, data accumulation and reporting are loosely organized. One reason for this, I suspect, is the term, "data processing." Voice the phrase and a computer pops into your mind. This is a misconception. An efficiently integrated data processing system does not necessarily include a computer.

A good example is furnished by one of our clients, a chemical distributor employing some 100 people. This company buys chemicals from large companies, puts them into small packages and provides timely customer service.

It is a warehouse operation with a good deal of paper work because of the number of small orders.

Recently the company had to face a very basic and serious problem. Although the volume of sales was going up, company profits were going down.

Management suspected that it was losing money on some items. If volume rises on unprofitable products, the more you sell the more money you lose.

Thus the need for a meaningful profitability report was quickly established.

However, it was impossible for the company to produce one with the inventory and accounting procedures it had then. To produce a profitability report, complete pricing and cost information would have to be displayed for each customer, since pricing varies by customer and is a function of volume.

It would be prohibitive to prepare such detailed information manually.

What evolved from the feasibility study was an integrated data processing system centered around a machine that carries a customer's order from the time of entry through the intermediate steps to the invoicing and capture of sales, labor and material cost data.

It is also used to help prepare a monthly profitability report by product class and customer.

With its stored pricing and cost information, the machine can display the profit margin on an individual order, as well as the accumulated profit for a customer over a period of time.

The machine is not a computer. It is a semiautomatic accounting machine. But it effectively integrates data processing functions for this company.

The equipment paid for itself by eliminating four clerks. It did away also with a rather involved sales analysis and statistical job, formerly a full-time task for a sales executive earning $20,000 a year, and helped achieve a 10 per cent inventory reduction.

Moreover, the profitability report lets management know which products to weed from the line.

Total projected savings on the program range from $100,000 to $150,000 a year.

3. *If you can't automate, mechanize*

To many managers, mechanization means automation in the EDP sense. Because of this misconception, we see outmoded manual methods in force that were initiated five, seven, or even 10 years in the past.

In our experience, carefully considered mechanization promises increased productivity, better accuracy and tighter control in the office as well as in the plant.

And you don't need a computer to cash in on it. Here is a good example.

A consumer products company is meticulous in its dealings with customers and the public. One policy ruling forbids erasures on customer correspondence. If a typist makes a mistake, she has to start the letter over. Worried about striking a wrong key, we observed girls slowing from 70 words per minute to 40 when they approached the bottom of a page.

This had been going on for years. Productivity was low, of course. But the higher costs were tolerated as a necessary evil, an unavoidable tribute to superior performance. A realistic look at the situation rapidly altered management thinking on mechanization. As a result, several machines were brought in to streamline the operation.

In this case, the solution was a typewriter with storage capabilities. As the girl types, a tape is pro-



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Gentlemen: I am interested in learning more about your management-building program from the point of view of a manager ☐ or an investor ☐

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duced. If she makes an error, she simply types over the mistake, correcting the tape. When the tape is completed, she runs it through the machine to produce a perfect letter.

There are hundreds of ingenious machines and devices on the market, designed for a multiplicity of uses. Getting to know the field thoroughly is an excellent investment for the manager with profit responsibility. This holds true if you run a three-girl office or an operation the size of a football field.

4. *Cash in on Methods Engineering*

In Methods Engineering the emphasis is on testing a need: "Is the part, the task, the function necessary? Can we get along without it? Could it be combined with something else?"

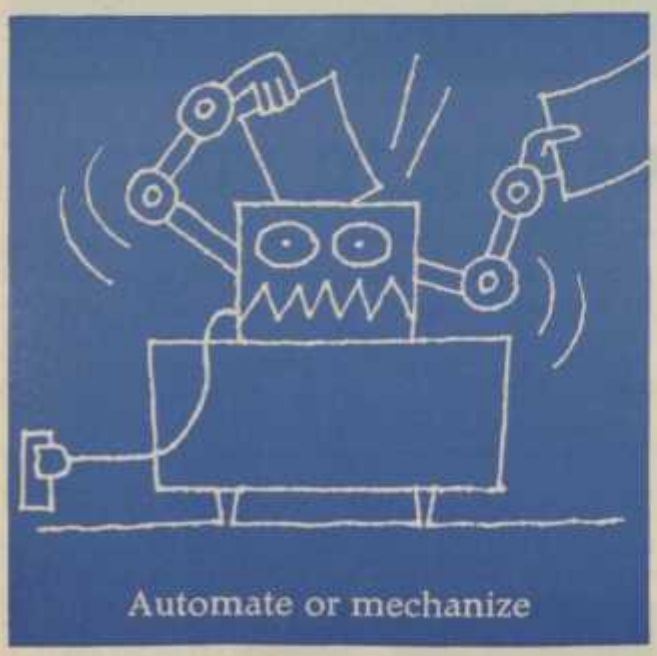
Applying the engineer's analytical approach to office operations is a systematic procedure: The key word is "Why?" It is surprising how many procedures and projects serve no useful purpose. Yet they are carried on from year to year.

One utility company required a cash deposit from its customers to apply against possible delinquent accounts. It took 50 clerical hours per week to handle the deposits. But analysis proved that the likelihood of credit loss was insignificant. As a result, the deposit system was abandoned, customer relations were improved and a substantial saving achieved.

As often happens, the operation needed not improvement, but elimination.

In a furniture company, for example, 15 people were asked if they needed a weekly report. All but one answered, "Yes." The following week the secretary was told to hold up distribution.

Only two people inquired about their copies. The analyst asked these managers what specific information they used, and how they used it. One was interested in certain figures only, and these appeared in another report. The other had use, not for the report itself, but for a summary that appeared at the end.



The report was eliminated.

One final point. In a good many cases, Methods Engineering is a desirable prelude to the introduction of standards. Little is gained by having efficient operators using inefficient methods. You still wind up with unsatisfactory results.

5. *Use Administrative Value Analysis*

A president told me recently, "Once the essentiality of an operation is established, too many managers are prone to forget about it." A big mistake, according to this executive. Here, he says, is where the real work begins. "How can we produce this report, buy this item, perform this task for less? That's what the manager should concern himself with now."

Value analysis is more than a concept. It's a philosophy of constructive dissatisfaction. There's no reason why it should not apply in the office as well as in the factory. In essence its aim is to find the better, cheaper way.

In a textile mill, a supervisor questioned the high cost of duplicating customer orders. Two girls ran the duplicating machine—one fed the paper in, the other caught it and stacked the orders. Investigation disclosed that this very duplicating machine was equipped with a special device that could feed the orders back to the girl feeding the paper in.

Why not use the full capabilities of the machine?

The supervisor acted quickly and cut duplicating costs in half.

Another vital aspect of the properly established value analysis program is its "everything approach." Says one company's controller: "We don't just look at labor, as is so often the case. We study all functions, all costs."

Transportation is a good example.

This company's plant is located in a hard-to-reach suburb. It uses a number of company buses to transport employees to and from the plant. But the buses are used only three hours a day.

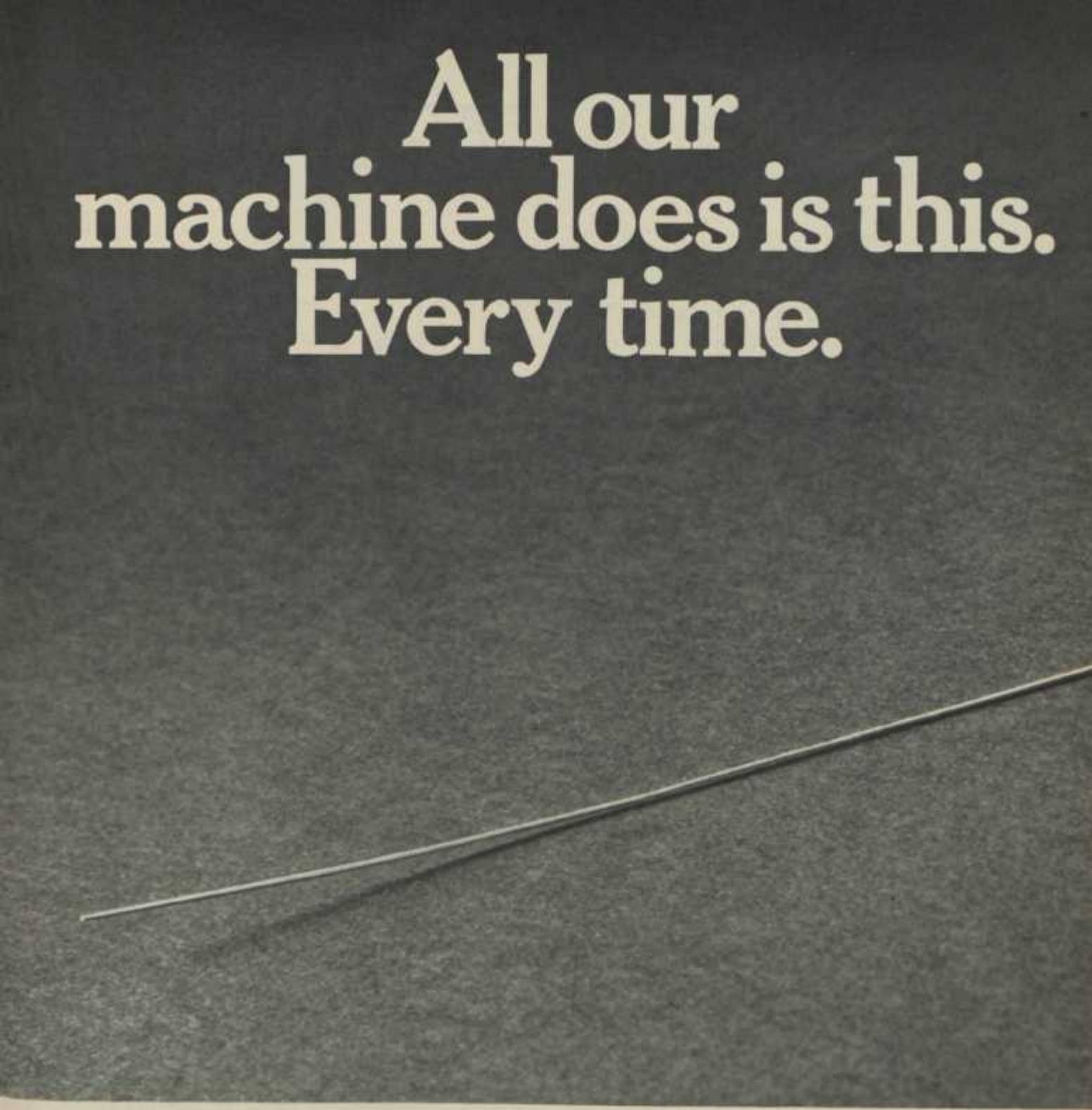
Attacking the problem, an ingenious idea was conceived. A system was worked out whereby a bus's seats could be removed within 10 minutes. Once this was done, the vehicles were used the rest of the day to transport materials back and forth.

We have yet to see an office operation where value analysis is not applicable. Applying a strong-lensed mental microscope to a function will almost always result in a less expensive way to do the job. The trick, we find, is to look at the operation with a completely fresh point of view.

Many companies are finding it worthwhile to get somebody into the act who is not directly involved in the setup on a day-to-day basis—someone who is in a position to be continuously dissatisfied in a constructive and profitable way. **END**

REPRINTS *of "How to Cut Office Costs 20 Per Cent" may be obtained from* NATION'S BUSINESS, *1615 H St. N.W., Washington, D. C., 20006. Price: 1 to 49 copies, 30 cents each; 50 to 99, 25 cents each; 100 to 999, 15 cents each; 1,000 or more, 12 cents each. Please enclose remittance with order.*

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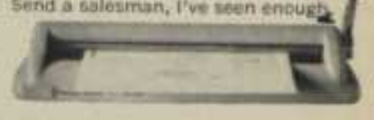
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LESSONS OF LEADERSHIP ◂ PART XLII

SPOTTING THE COMERS

A conversation with Harry O. Bercher, International Harvester's pusher and doer, who believes people problems are toughest

Harry O. Bercher had his travel orders as a newly commissioned Army lieutenant when International Harvester Co. offered him a job he thought promised even more adventure: in the lusty, booming iron ore ranges of Minnesota.

A tough independence and a habit of saying exactly what he thought helped propel him 40 years later into the post of chairman of the board and chief executive officer of the $2.5 billion industrial giant.

A "pusher and a doer," the blunt-talking, 62-year-old Illinois native sees his greatest challenge as an executive as picking "the right people for the right job."

A man who delights in doing what can't be done, he grins and admits he has the reputation of being "pretty hard-shelled," of being "too much of a driver."

Subordinates delight in telling tales of the push and zeal of this boss of over 100,000 employees scattered over the world. If he seeks perfection from others, he demands it of himself.

The head of International's steel division at 40, president at 56, Mr. Bercher oversees what he terms a "mechanical power" producer. International Harvester is the No. 1 manufacturer of heavy-duty trucks as well as a giant in farm and construction equipment.

The romance and adventure he found in the iron ore ranges and later in the coal fields of Kentucky during another brawling time come through today when he speaks of his long career with International Harvester.

In this interview with an editor of NATION'S BUSINESS, he talks of the opportunities offered young men today, of growth and acquisitions and changing philosophy in world-wide operations.

He believes "you have to grow; you can't remain static."

You have been quoted as saying your first reaction to being elected president of International Harvester was to spend a day of depression. What did you mean?

I believe that anyone, who is given as much responsibility as this world-wide company offers, has to look at himself and ask, "Am I equal to it?" The more I thought about it, the more I wondered if I could answer all of the challenges that were going to be presented to me. The more I thought about it, the more I became a bit depressed by this, about the possibility of not being able to measure up to what would be expected of me.

Obviously you got over your depression.

It didn't take long for me to re-



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cover from that one day of depression.

At the time you were described in some reports as a "pusher and a doer." Are you?

I am glad to be known as a pusher and a doer, because I believe I actually am.

You have pushed to develop new products, modernize plants and expand?

I hesitate to say that I am responsible for that, because it is only a continuing process that we have of developing new products, of adding to our engineering facilities and modernizing our plants.

To be sure, a reasonable amount has occurred since I have been president, but I don't believe that I should take credit for much of the expansion that was started before I became president.

It has been said you believe in assigning responsibility. Why is this so important?

I do believe that it's important to assign responsibility to others, but there must be more than merely assigning responsibility. You must also follow through and see that those assignments are performed.

In my experience, there have been very few people you can assign responsibility to and not be required to go back and check and recheck to see if it was completed. Too few people follow through. They are glad to accept the responsibility, but they don't see that it is carried out.

Is the mark of a good executive the ability to follow through?

I think that is one of the most important requirements of a good executive. He should complete any task to which he is assigned.

I understand you were torn between a career as a professional Army officer and business?

Exactly so. I needed a bit of money as I went through college, and I enrolled in what was then called Advanced ROTC. They paid my tuition, furnished me with a uniform and, by teaching one or more classes in military science, I received a small stipend which was quite helpful.

Upon graduation, I was commissioned into the Army and had actually been ordered to Riverside, Calif., when I decided not to go. The lure of the International Harvester Company was too great. At that time, the iron ore mines were in full production, and I thought I would like to get out in the wilds of Northern Minnesota.

I actually had to choose between going to college locally or going to West Point. I had been recommended for an appointment at the time of graduation from high school. The commanding officer of the ROTC said he thought I could get a good education at the University of Illinois, and I could come out with a commission in the Army, the same as West Point.

I lived in Urbana, where the university was located.

But you also toyed with the idea of skipping college all together?

Yes. I was working in the summer after high school on road building. The lure of money to a young man made it quite tempting to continue that sort of thing.

About the time college was to start, the project engineer asked me what I intended to do. I said, "Well, continue working with you."

He said, "No, that won't be possible. You have to go to school."

He left me no other choice. I lost my job, in effect.

You have spent your entire adult business life with International Harvester. What attracted you to it?

The lure of iron ore mining in Northern Minnesota.

In 1928, the big iron ore pits were only about 13 years old, and there is a certain amount of romance that goes with the open country and the rugged life that people lived in those surroundings.

I was told by this company that I would be able to go up there and work for a period of time. Later, I was transferred to the coal mines in Harlan County, Ky., which also had a bit of attraction. I think you might remember that, by 1928, there had been lots of trouble in the coal fields, starting earlier with the Herrin riots in Southern Illinois, later in Kentucky and Virginia. There again, for a young man, this offered a bit of excitement.

What exactly did you do in those days? Were you a miner?

No, I was not. I believe that my curriculum in school would be best described today as industrial engineering.

For example, I took surveying. I had a major in mathematics; I had a major in accounting, all of the finance that was offered. By virtue of taking surveying, I was forced into some amount of general engineering and drawing which made it necessary that I become adept at reading blueprints. All that offered me an outlet into mining where knowledge of surveying and blueprints and so forth was usable.

You became head of the steel division before you were 40?

At 40, yes.

Was there any particular turning point in your career?

Yes, there was. About 1935, the steel plant's independent union was engaged in intensive labor negotiations with the management. The cost of living index, as we know it today, either did not exist or was not discussed during those negotiations.

As part of the negotiations, management and labor agreed to appoint a committee of three or four people to see what changes had occurred in the cost of living over the previous three or four years, the Depression years. They went about it in a very unscientific way, mostly by the whims of the labor representatives who had their own idea about how best to bring forward the increased living cost.

When the final report was written to management by the committee, I took exception to it. I didn't believe it was soundly conceived, that you couldn't accurately judge changes in cost of living by such a random method.

I was called to the general office and questioned at length by the president and a vice president of the company. They seemed to admire my independence and my thoughts. As a result of that conference, I believe that Mr. Fowler McCormick kept a sharp eye on me in subsequent years.

International Harvester dates back to Cyrus McCormick's reaper and a great many people still think of it as rakes and harrows. You have described it as a broad mechanical power business.

Yes.

In the '50's, critics characterized International as a corporate monument not interested in growing. Where were these critics off base?

First of all, I think that to keep

pace with modern requirements, be they in transportation or farming, you have to grow with completely different kinds of machines—larger machines, all of which require bigger factories, a greater diversification of product and certainly more people.

You have to grow. You can't remain static. You either grow or get out of business.

What do you see for the future of the mechanical power business?

We are as far advanced in the gas turbine state of the art as anybody, as it applies to vehicular power. We foresee that gas turbines will find their place in transportation and also in off-the-highway equipment. We are already deeply involved in the transmission of power through hydrostatic means as opposed to mechanical means.

By that I mean you transmit your power from the engine to the wheels through the hydraulic pump fluid which in turn propels a piston in a hydraulic motor. It's a system that provides infinitely variable ground speed.

We are applying that to many of our products today. As yet, we have not applied it to the motor truck, but it has gone pretty well through the farm equipment line and through many parts of our construction equipment.

You unveiled your Turbostar turbine truck last year. Do you see it playing an integral part in your production?

I think it still may be three years before we can say we can produce them at a price competitive to a diesel engine and have enough production facilities to warrant going forward with it. We are producing more of these prototype engines, will have them in more vehicles and we will learn from that application.

Will world markets continue to play a major role for your company?

Yes. We have felt that our greatest area for growth was overseas, and we still feel that way. I must say our enthusiasm sometimes becomes quite dampened when we have situations such as we have seen in Europe in the past few months, or when we see the problems arising from the growth of nationalism throughout all parts of the world. But we really have changed our ideas considerably on overseas operations within the last five years. Five or six years ago, we owned 100 per cent of all of our operations abroad. Today we have every conceivable type of ownership, ranging from joint ventures to a 10 per cent interest with the Turkish Army Credit Union.

In other words, our philosophy of what we had to have abroad six years ago is no longer true. I believe, in general, we can do better in another country if we have national ownership up to 50 per cent.

You feel you can be as successful as in the past?

I think we can be more successful because we will find it easier to do business within those countries if we have a sizable ownership by nationals there.

You have spoken of a need for profitability . . .

I think that without profits you are precluded from necessary expansion. To be sure, some people have the philosophy that you borrow and borrow and spend and spend without any thought about how that money shall be repaid or the expense of the borrowing. Perhaps they are right.

To me, I think expansion should come from depreciation and retained earnings, with only a reasonable amount of borrowing.

When you speak of expansion, do you mean of your current production or of acquisitions?

I think entirely of growth of our current and related products. Take the small farm tractor we call the Cub. We scaled it down and produced what is known today as the Cub Cadet, one of the outstanding lawn and garden tractors on the market.

As the next step down, we are now producing a very popular riding type of mower for smaller lawn areas.

In the truck part of our business, we came forward with a utility type vehicle which we call the Scout. I am sure it was not envisioned 12 or 15 years ago. It has been quite popular and quite successful for us. We also make a utility vehicle called a Travelall, which was the outgrowth of a panel truck.

The same thing prevails in our construction equipment line. Up to 10 years ago, we produced crawler-type tractors. Since then we have expanded into the rubber-tired type vehicle which is a natural outgrowth of our facility and the requirements of our customers.

Now, with regard to acquisitions. We have made some acquisitions which we don't keep talking about. We have a bit of a history of acquisitions, but certainly not of being a conglomerate. We look at literally hundreds of companies in the course of a year, always asking ourselves, "Would they be interested in us?" or "Should we be interested in them?"

All of this looking has been done within the framework of your mechanical power business?

Exactly right, although I should say that we have looked at the possibility of insurance and finance companies. One of the largest captive finance companies in America is our International Harvester Credit Corp., and it would be a natural thing for us to acquire another finance company. But we would want it to be large enough to be worth while.

What do you see as the proper relationship between business and government?

I think business should have a closer relationship to government. How to accomplish that is a bit difficult because I feel that sometimes the government wants to be too close to business, and as a result, business shies away from government.

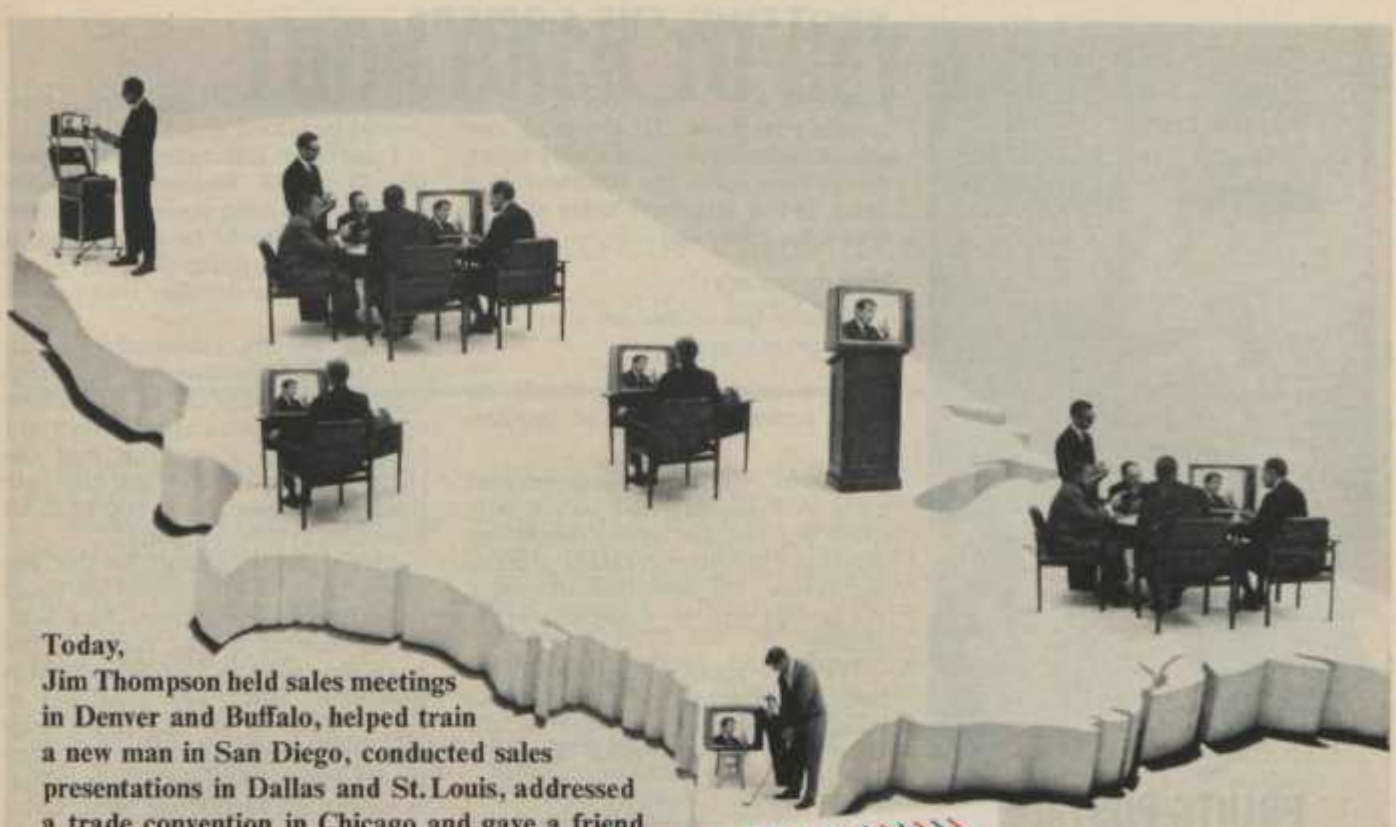
I am reluctant to ask our government for special consideration of any of our problems unless they are genuinely important and we believe that it is something that must be accomplished through a direct approach.

I think in so many cases some companies are constantly at the doorstep of government in Washington, and they wear out their welcome. I think you can overdo your relationship to a government. I believe there is a proper balance. When you have something important, make yourself heard. Unless it is important, forget it. The government will often be on your doorstep whether you want it to or not.

What has given you the greatest satisfaction in your business career?

It would have to be a composite of several things. I believe I've had the greatest satisfaction out of doing things which appeared to be difficult at the time.

For example, retiring our pre-

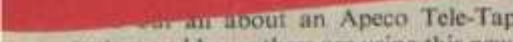


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In other words, our philosophy of what we had to have abroad six years ago is no longer true. I believe, in general, we can do better in another country if we have national ownership up to 50 per cent.

You feel you can be as successful as in the past?

I think we can be more successful because we will find it easier to do business within those countries if we have a sizable ownership by nationals there.

You have spoken of a need for profitability . . .

I think that without profits you are precluded from necessary ex- ...sion. To be sure, some people ...t upon bor-

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...ular and quite successful for ... also make a utility vehicle called a Travelall, which was the outgrowth of a panel truck.

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Now, with regard to acquisitions. We have made some acquisitions which we don't keep talking about. We have a bit of a history of acquisitions, but certainly not of being a conglomerate. We look at literally hundreds of companies in the course of a year, always asking ourselves, "Would they be interested in us?" or "Should we be interested in them?"

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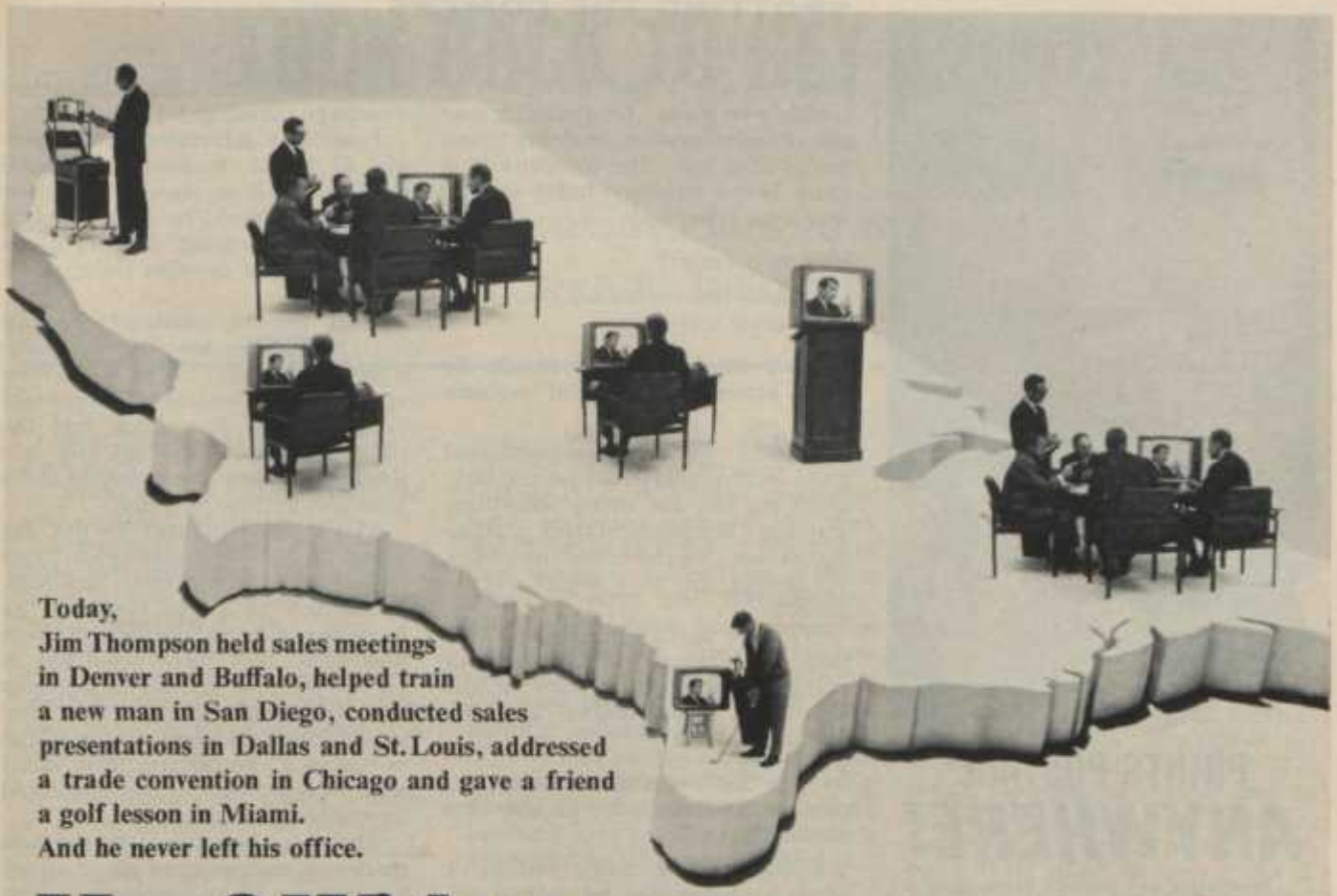
Exactly right, although I should say that we have looked at the possibility of insurance and finance companies. One of the largest captive finance companies in America is our International Harvester Credit Corp., and it would be a natural thing for us to acquire another finance company. But we would want it to be large enough to be worth while.

...proper re-

What has given you the g... satisfaction in your business career?

It would have to be a composite of several things. I believe I've had the greatest satisfaction out of doing things which appeared to be difficult at the time.

For example, retiring our pre-



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ferred stock. I had been told it couldn't be done. Or changing our site of incorporation, of doing many things that leave the company in a much better situation today than it was some years ago.

How do you relax?

I guess the relaxation that I enjoy most is travel.

Do you think business should be more active in the social problem area?

I think we have demonstrated quite well recently that we not only think so, but are doing something about it. We are operating a training center for so-called dropouts. We accept this as a social responsibility.

We have spent millions and millions of dollars to help alleviate air pollution beyond the call of the law. The same applies to water pollution.

Do you think opportunities for success are as great today as when you started?

I couldn't be more optimistic about opportunities for young people. The chances to succeed today are far greater than they were 40 years ago.

Like most companies, we pride ourselves that we have a large managerial organization. But when we finally get down to the selection of the top 10 people, we find that we are pretty thin. Officers of other companies tell me they, too, have many, many capable people at various levels, but at the very top there is lots of room for the superior young man today.

Never was the opportunity greater than it is today in International Harvester Co.

As a group, are young people as hard-working as when you began?

I think they are hard-working; and, in general, they are more intelligent. Their degree of education is much higher today than it was 40 years ago.

We have many more people coming to us with master's degrees. A bachelor's degree was pretty good 40 years ago.

I'd like to make another observation: The great challenge for an executive is the selection of people. I often say that I am not concerned about our top people who are over 55. I know what they have, and know them well. I am not worried about what other disciplines they should be taking on.

I am very interested in the people 45 to 55, because they have been around long enough that their experience should be recognized, if they have anything. We have our last chance to develop them at 45 to 55.

Also, we are constantly searching for qualities that can be recognized in the ages 35 to 45. Those are the people who are so important to us because if we can find the right man at 35, and get him into the right avenue, he is bound to be a success in this company.

Much more difficult is the age group 25 to 35. I have often times looked at a young man and said, "That boy is a real comer." We have one man in our organization now who, as I have predicted to two or three of my associates, may someday be president of this company. He is 29 years of age. That is taking a pretty long shot, but I wish we had 50 such men who could be spotted that early.

The great indictment that can be made of management is that we pass over so many competent young people without having them come to our attention properly. All the systems that companies have for revealing talent are fine, but somehow too many of these fine people fall between the chairs.

Sometimes a man doesn't fit into the position he thinks he belongs in, either. Other times we are at fault in not slotting our people properly. This refers to the well-educated and trained people that we recruit and bring in, not the youngsters here just to be on the payroll for six months, but the people who have some motivation to get ahead.

The biggest problem that anyone in my position faces is people. I spend at least a third of my time discussing with my associates the changing of people, making this team work.

Deep in my heart the fair treatment of people is among the most important things that I have to consider. **END**

REPRINTS *of "Lessons of Leadership: Part XLII—Spotting the Comers" may be obtained from Nation's Business, 1615 H St. N. W., Washington, D. C. 20006. Price: 1 to 49 copies, 30 cents each; 50 to 99, 25 cents each; 100 to 999, 15 cents each; 1,000 or more, 12 cents each. Please enclose remittance.*



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LOOK BACK TO GET AHEAD

Past can provide clues to the best path you should follow in future

Most businessmen don't like to look back.

It runs against their natural tendency which is to look ahead.

Yet many successful managers note that looking at the past is as much a part of running a business as sizing up the future.

How and when can you use past knowledge and experience to maximum advantage? Regardless of the task, there are three occasions when businessmen look back:

1. When they need a fact, a name, a quick point of reference. This looking back you do automatically time after time during the day. You call on memory, flip through the papers on your desk. It's a simple process as long as your memory is reliable.

2. When they need to make a more exhaustive search for information essential to a new program, the background of a problem. Some men do this when the occasion demands; others on a more or less set schedule.

3. When they review an assignment just completed or general performance over a period of time. This is the occasion for a thorough look at everything that has happened. But preparation for a review—especially an annual review—is arduous, and as a result many businessmen avoid it or simply skip through the highlights. Often the review turns into a forecasting session.

Development of a systematic method of looking back greatly improves a man's ability to see where he has been and where he is going. Here are some suggestions:

Know what you need to know. This is obvious. But many men make haphazard searches of history because they don't know precisely what they are looking for.

An advertising agency promotion man tells of frequent staff meetings called by his boss to dream up new promotions for clients. At the start, all eyes would be focused on the future. Then, if nothing promising were presented, one of the men would invariably ask, "What was that gimmick we had for XYZ a couple of years ago?" Immediately everybody would be rummaging through the past, bringing up one old scheme after another. Finally the meetings would break up—nothing accomplished.

"We used to waste hours on end because the boss or whoever was responsible for a specific account wouldn't kick off the meeting with a description of what was needed."

Be selective about what you look at. Knowing what you need to know gets you started on the right track. Being selective after your search is under way keeps you on it.

Being selective does not mean, of course, that looking back is always a straight-line process.

Says an executive: "On each new merchandising project, we first look ahead to the new conditions that exist and that are likely to exist. Then we look back to discern trends and to review activities not only in the immediate field but in widely separated areas which may have possibilities of adaptation."

Organize your search. Set down on paper exactly what historical information you need. For instance, if you are planning a product improvement, you want to know in what ways the old one was satisfactory and unsatisfactory, what the market was, how well it was received.

Analyze what you find. When men are under normal business pressure, they are in such a hurry to move forward that they often do not pause to question the application of past experiences to the future.

Obviously this is wrong. Nothing you learn from the past should be applied to the future until you have sifted all the facts and studied them in relation both to the time when they occurred and the time for which you are planning.

Be objective. Don't pick out of the past only those facts and experiences that prove your point. Get them all—good and bad.

File the past physically; don't depend on memory. One of the greatest deterrents to effective use of business history is that the history is often lost. Executives encounter this problem daily. Yet except for required records such as those dealing with legal, financial and personal matters, most of them make little effort to keep a file of discriminatingly selected material that tells where their companies have been, what they did.

But of what sort of material? Anything which concerns an important action you or your company have taken or contemplated; anything which might serve as a guideline in the future.

Equally important to save are unused plans and ideas. These should be flagged for systematic review, for while they may not have been right for the time they were developed, they may be exactly what you're looking for today.

Take time to look back. To make full use of the past, you must stop long enough to delve into and consider it. Few managers think they can afford the luxury of closing their office doors, let alone staying home for a day, to look at the past. Yet this is one of the best ways to make sure you dig out all useful information. It enables you to analyze this information objectively, thoroughly and in context and thus to avoid the false assumptions that too often result from a hurried look.

Be guided, not ruled by the past. It is essential to listen to what the past has to say—and it says plenty. But you can't plan the future by it. Use it only to steer by.

—STANLEY SCHULER



YOUR CREDIT CARD'S SECRET SERVICE

Crime doesn't pay for the credit card crook—thanks to the security forces of major credit card companies

It was a bright, sunny autumn day in Dusseldorf. And Königsallee, that city's Fifth Avenue, was bustling. Smart shops were filled with luxury goods.

Dusseldorf is only a pale shadow of the great city of 4.5 million that flourished on the Rhine before World War II bombing raids. But it is still on the main line for visitors doing the Continent.

"Tourist" was stamped all over the well-dressed man who stopped that day in front of the Konigsalle leather shop. He looked over the merchandise carefully. It was all beautifully made, and expensive.

He strode inside, ordered several hundred dollars worth of merchandise and offered an American Express Co. credit card to pay for it.

The proprietor took the card, vanished into a back room, returned and began to make out a bill of sale. But before his customer could depart with the loot, a detective rushed into the shop and placed him under arrest.

The customer was no tourist, but a professional thief using a stolen credit card. His arrest in Dusseldorf was duly noted at American Express Co.'s headquarters in New York City.

It meant that one more case was closed, and marked "solved," in the files of its "little FBI."

All three of the big, international travel and entertainment credit card companies—American Express, Diner's Club, Inc., and Carte Blanche—have their own private staff of investigators. American Express's is the oldest. It dates back to the days of the Wells Fargo agents in the 1850's.

Its security force is also the largest, with a staff of more than 300. Its agents are stationed all over the world to prevent misuse of American's credit cards, Travelers Cheques and money orders.

All have had years of experience in law enforcement. They come from the Federal Bureau of Investigation, the U. S. Secret Service, the Army's Criminal Investigation Department, Britain's Scotland Yard, the Sureté Nationale of France and Italy's famed Carabinieri—as well as from big city police departments in the United States and abroad.

Scotland Yard describes them as "one of the finest detective services in the world."

Agents of all three T&E credit card companies cooperate with local police, and with each other, in running down criminals who misuse these embossed, plastic passports to affluence.

Their skill and experience, plus modern day marvels like the computer, now make the credit card thief's life hazardous.

Today, there are some 300 million credit cards in the wallets, or pocketbooks, of Americans alone. American Express has more than 2.5 million credit cards in use. Diner's Club and Carte Blanche have another two million or more.

Every year, thousands of credit cards are lost—or stolen.

Many wind up in the hands of criminals. They buy $20 to $50 million worth of merchandise, or airline tickets. Much of the loot is

sold to fences, or unloaded on unsuspecting, law-abiding citizens.

"A hot credit card is highly salable in the underworld," Milton "Mitch" Lipson, vice president, corporate security, American Express Co., says.

"Who'll buy them?

"Well, a gambler who wants to go to Las Vegas. Or a burglar who wants a change of scenery. A bum check passer, or a bookie, on the lam. A holdup man who wants to rent a get-away car.

"Or a professional thief who'll buy airline tickets and resell them at a cut rate. Maybe to a salesman who wants to chisel on his expense account.

"Airline tickets bought on a credit card can't be turned in for cash. It's also illegal to sell them for less than the price set forth on the ticket. Some people don't know this. Others don't care.

"For example, one thief used a stolen credit card to buy thousands of dollars worth of airline tickets, which he resold at half price.

"Our agents alerted the airlines and staked out the gates for the flights on which the tickets were good. Some of the first to show up were presented by an elderly New Yorker, who was taking his wife, his daughter and his son-in-law on a trip to Puerto Rico.

"He was asked to step out of line and told that the tickets had been bought with a stolen credit card.

"At first he blustered and bluffed. But finally he admitted that he bought them from a bartender.

"Each adult round-trip ticket was worth $200. He said he paid $100.

"The bartender, it turned out, was a member of a ring that fences stolen credit cards."

Mitch Lipson, who heads the "little FBI," is in his mid-50's, a husky pipe-smoker who is a former U. S. Secret Service agent.

American Express, Diner's Club and Carte Blanche absorb all the loss from fraudulent use of their cards, if the owner gives immediate notice that the card is missing.

To hold down their loss to a minimum, all three rely heavily on their own security measures—including their private detective force.

"We stress prevention—even more than good detective work," Mitch Lipson says.

"For example, we used to have a thin strip of white milar, that's a kind of plastic, bonded on to the credit card. It concealed the word "VOID" which was printed on the face of the card.

"We used the milar strip as a signature panel. When you got your card, you signed your name there.

"If a thief erased it, to write in his own name, the milar was destroyed and the word VOID became visible.

"But the thieves caught on to us. Instead of erasing a name, they'd take a can of white spray paint and blot out the original signature. Then they'd sign their own, after the paint dried.

"But we found a way to lick that, too.

"Now, instead of white milar, we use a different signature panel. It's a print of a geometric design made by a metal-cutting lathe. Like the design used in the border of American currency.

"If you erase a name signed on that, you destroy the design. And it can't be duplicated.

"That put the spray-paint boys out of business.

"In addition, we keep a record of every credit card—and every purchase charged against it—on a computer here in New York City.

"Every one of the 200,000 shops, airlines, ski slopes, restaurants and other establishments that honor our cards can check with it instantly by phone. Within seconds, we can tell them if a card is stolen or not. And we can also advise them on whether or not the card member's account is delinquent."

You can do a lot to prevent theft, and fraudulent misuse, of your credit cards, the American Express Co.'s security chief points out.

"Rule number one," he says, "is report their loss or theft to the issuing company at once.

"Rule two, never lend your credit card to someone else." It is a breach of contract with the credit card company, and it may land in the wrong hands through the borrower's carelessness.

"Rule three, screen your cards frequently, and destroy those you don't want or are outdated.

"Rule four, make sure your card is returned to you after every purchase.

"Rule five, keep all credit cards on your person.

"Finally, keep a record of all your credit card numbers so you can identify them quickly to the issuer, in case they are lost or stolen." **END**

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HOW TO WOO AND WIN INDUSTRY

Special guideline report on industrial development by experts and officials of the American Industrial Development Council

Few cities or towns, even the most prosperous and fastest growing, are satisfied with their economic development.

All seek to attract new businesses, or hold those they have. Yet, every year, the competition gets keener.

In this issue of NATION'S BUSINESS, experts in industrial development tell you about wooing new industry. The following articles:

Reveal the latest trends in community salesmanship.

Tell how to enlist community help.

Recite the case history of a successful industrial courtship.

Outline the facts you need to persuade your prospect.

Identify the best targets to zero in on.

Describe how to plan best for industrial growth.

The articles were prepared by the American Industrial Development Council, an independent nonprofit organization devoted to promoting professionalism in industrial development, in association with Development Counsellors International.

Inquiries should be addressed to:
American Industrial Development Council
230 Boylston Street, Boston, Mass. 02116
(617) 536-6377
Richard Preston, Executive Vice President



WHAT IS AIDC?

The enlightened concept of industrial development is total development. No longer can we afford to take the attitude of "Let's get the industry and worry about the results later."

The compounded congestion of industry, commerce and people has touched off serious side effects economically, socially, environmentally and even politically and is part of the whole urban crisis today.

In the present competitive business world the placement of new capital investment requires a higher degree of professional competency than ever before.

By the same token, the developer who is seeking to encourage economic expansion in the area he serves, by assisting business and community interests in its location, also bears a greater responsibility than in any previous period.

The American Industrial Development Council Inc.—an independent, nonprofit corporation—recognizes the need for more professional competency in the field. It is conducting an aggressive program to achieve this end.

Leaders of industry who locate or expand facilities have a stake in the success of AIDC's efforts. Citizens interested in the betterment of communities have a similar interest.

AIDC is an association of professional and laymen and women concerned with the successful development programs. It is international and has upwards of 1,000 members in private enterprises, civic organizations, educational institutions, public agencies and research institutes.

The AIDC office in Boston serves as a national development clearing house. Here the largest collection of technical data pertaining to techniques of the profession is centered.

How it began

In the early spring of 1926 a small committee headed by a staff member of the Chamber of Commerce of the United States met to discuss what the future of industrial development might hold.

A few industrial developers employed by local Chambers of Commerce met in this initial meeting to discuss holding a national conference that would lead to a better understanding of the field and a higher degree of proficiency.

Topics discussed during this initial meeting were the financing of new industries, industrial surveys, what is new industry, community advertising campaigns, bonuses used as special inducements, incubator buildings and policies to seek or encourage industries.

These subjects have been discussed, studied, praised, researched, damned, applauded and booed since 1926.

The spring of 1930 saw the birth of the American Industrial Development Council. A constitution and bylaws were adopted and a board of directors was elected.

For many years, development was a disorganized endeavor with states and communities across the nation competing for the attention of business locating new facilities.

The end of World War II brought a tremendous expansion in local development programs.

During the late '50's certain undesirable effects of economic expansion were becoming highly visible, such as polluted air and water and traffic congestion. At the same time new and younger men were entering the development field. More inquiring minds were at work.

AIDC's goals

The development field was up-

EMERY D. HOENSHELL, *author of this article, is president of the American Industrial Development Council. Organizer and former managing director of the Duluth, Minn., Industrial Bureau, he is now director of area development for the Consolidated Natural Gas System, which serves 1,200 communities in New York, Pennsylvania, Ohio and West Virginia.*

graded and more attention given to professional competency. Further, an insistence that more carefully planned, researched and correlated effort was required. The American Industrial Development Council, as the international association of practitioners, seemed the best suited body to meet this need and it moved to do so.

Since 1964, AIDC has sponsored the Industrial Development Institute at the University of Oklahoma, a three-year (one week per year) course originally conceived by the Southern Industrial Development Council. The following year a series of advanced or graduate seminars was instituted. AIDC has worked closely with Georgia Institute of Technology and Texas A&M which also offer such instruction.

AIDC is now working closely with at least 10 organizations which either offer instruction in Basic Industrial Development now or are giving serious thought to providing such training. It promises to provide business with better service, improved data and more assistance in plant location and expansion in the future.

Another of the Council's major activities is an annual conference each spring. Top authorities from industry, government and other organizations are brought in and experience is shared.

AIDC has built up over 1,500 annotated publications in Boston and publishes a journal and a newsletter.

Ideally, industrial development is a round-table affair with industrialist, planner, governmental representatives, transportation expert, developer and educator sitting down together with their computers and all the other sophisticated aids.

The question might be: "If this 500-man industrial plant locates at Point A, what will be the result in terms of added traffic on the streets, smoke in the air, delays at the check-out counter, space in the class room, and to what extent will the project contribute to an improvement of life?"

Ideally, the answer would be quick in coming, along with a judgment saying: "All development plans are coordinated properly and the expansion can be accommodated in an orderly manner."

Impossible? More likely premature. But that is the goal of the American Industrial Development Council and its affiliated groups.

END



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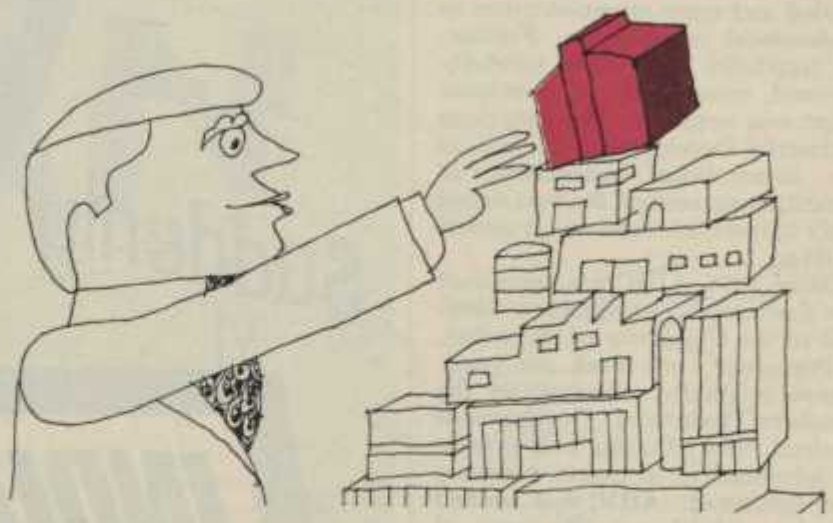
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HOW TO PLAN FOR GROWTH



There are often grave and costly misconceptions about industrial development among both communities seeking to attract industry and companies seeking locations for new plants.

Within a given corporation, vice presidents for manufacturing, sales or warehousing and distribution each may have their own ideas of what makes the ideal site.

A community may think it's enough to zone property for industry and post a sign proclaiming it an industrial park.

Some small communities located 100 miles from major metropolitan areas have built speculative shell buildings in the vain hope of attracting industries whose labor-force needs the communities can't begin to meet.

Even companies selecting otherwise suitable sites can make the mistake of misgauging labor supply or ignoring the needs for future expansion.

In one way or other, they all ignore the fact that industrial site selection in today's competitive world is a specialized field meeting the increasingly exacting demands of industry.

Thus the industrial site itself becomes a product to be developed, bought and sold just like any other, on the basis of ability to meet specific needs.

PAUL J. PFISTER, *author of this article, is president of Pfister and Co., Inc., commercial and industrial realtors, Terre Haute, Ind. He helped establish—and later taught—Indiana State Teachers College's well-known course in real estate. He is a director of the Great Lakes State Industrial Council.*

It's important for all concerned to grasp just what makes up a genuine industrial site from the standpoint of company or community, and how the professionals make a choice.

Since much industrial development since World War II has been concentrated in industrial parks, the definition of an industrial park offered by the National Industrial Zoning Committee represents an increasingly accurate definition of a potential plant site:

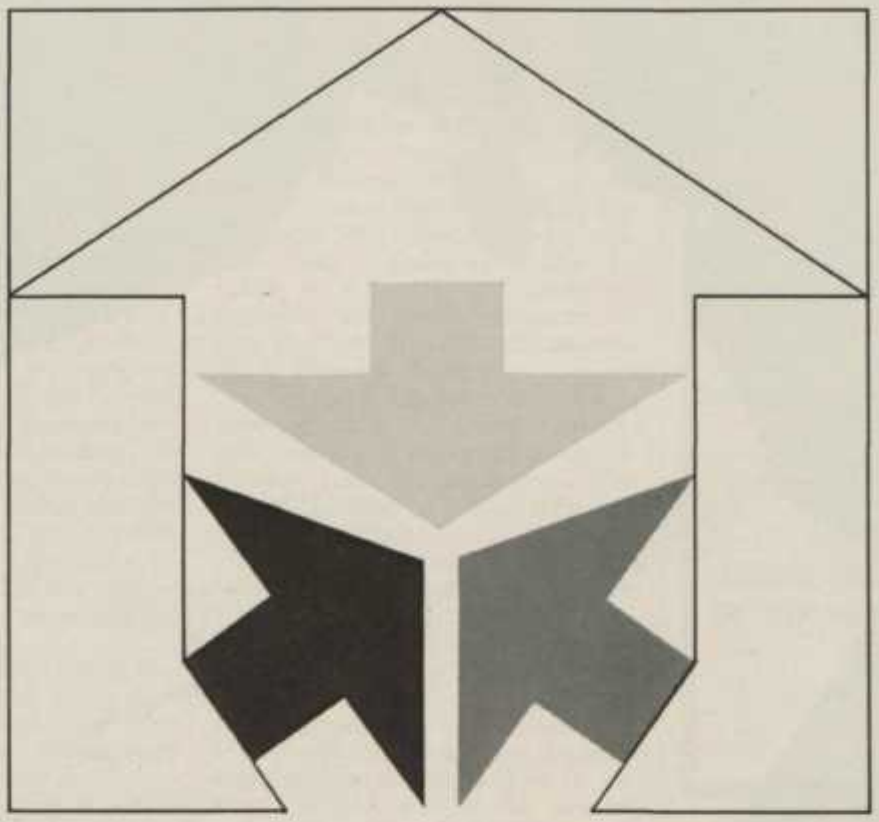
This definition is: "Industrial park is a tract of land, the control and administration of which are vested in a single body, suitable for industrial use because of location, topography, proper zoning, availability of utilities and accessibility to transportation.

"The uses permitted are regulated by protective minimum restrictions including size of site, parking and loading regulations and set-back lines from front, side and rear yards.

"The front yards, and side yards adjacent to streets, are to be landscaped to conform with the planning standards set for the park.

"All requirements are to be compatible with the community and surrounding land uses in accordance with a comprehensive plan to enable a group of industries to operate within it sufficiently."

Communities have found that they can use the industrial park as a device to encourage industrial development rather than a means of strictly protecting residential property. Zoning reflects a change in attitude of communities toward industry, and community leaders realize that without continued industrial growth their communities cannot provide the services that the



level with yourself

You're a smart person, or you wouldn't be holding a position in association management.

But are you smart enough to admit that the "on-the-job training" you get every day is not enough? That it takes something more, these days, to move ahead in this profession—to gain bigger responsibility, earn more money? To handle the increasingly important job you have?

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"I'm an 'old timer' in the Institute professional development program. But I'm still mighty enthusiastic about it—and still learning, too. It's an unusual combination of extensive, practical, understandable, sympathetic know-how from top association executives and top university professors. The benefits are many and great."
*Richard A. Anderson
President, American Society of Association Executives
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citizens demand. An industry seeking a location for a new development must conduct a thorough analysis of available sites. Certain processes in the selection are essential, but their importance will vary from industry to industry.

The products that are to be manufactured will indicate the materials needed, so the first step is to locate the sources of the needed materials and the transportation facilities best suited for their acquisition. Transportation of the finished product must then be similarly considered. With this information, the top management can calculate costs of materials, transportation and distribution of the finished product among the range of alternative locations. This identifies the area or region in which the plant can be located.

The industry can then select certain communities within the region. Factors considered will vary from company to company. Some companies have the policy that they will not establish a plant that will hire more than a certain percentage of the labor force in the area in which the plant will operate. Others place special attention on community facilities. Proper business climate, public services, educational facilities (many go beyond high school level), cultural and residential amenities and good local transportation are most frequently cited by major firms. The communities in the region selected are then listed for further study. Various requirements and priorities are established, and the cities being considered rated accordingly.

With the number of communities narrowed down, the next step is evaluation of individual sites within the communities from the standpoint of available labor force with specific skills needed in the plant.

Sites are weighed in terms of physical condition (including soil characteristics), land costs (including acquisition, site preparation, title work and the cost of bringing in utilities), cost of transportation, zoning requirements and their effect on construction costs, building codes and restrictions and their relationship to the costs, taxes and fire and police protection.

The final site is one where costs of production, overhead and distribution are at a minimum. In other words, the location that will yield the greatest profit and the lowest cost of production.

In our experience, the biggest mistake made in original site selection is improper planning for expansion. If the land costs are too high to purchase additional ground immediately, then the company should arrange for future expansion. In some industrial parks, the developer will agree to make sufficient land available at another location in the park and either repurchase the present property or give the industry sufficient time to sell or lease the property.

However, it has been our experience that land cost is not a justifiable reason for not purchasing additional land for expansion. The cost of the land at a later date will always be higher.

The second most common mistake is improper analysis of the labor market, particularly where highly skilled employees are a requirement. But the mobility of our labor force today and the continued improvement of our highway systems enable employees to commute greater distances than in the past. Skilled workers in smaller communities are demanding wage scales comparable to those in the large industrial centers. If they are not able to get this, they will drive many miles to their jobs.

Virtually every community in the country has set aside land for future industrial use. This planning for the future is of the utmost necessity. However, many have not taken into consideration what type of industry they can actually support in planning for services such as utilities, police and fire protection, schools, which are as important as the land in meeting the requirements of the modern industry.

Unless smaller communities are on major highways and close to a metropolitan industrial city, their future industrial expansion is quite limited.

For medium size communities, it is important to have properly zoned improved sites available for the industry. In communities with a population of 100,000 and up, industrial parks developed jointly by the community and by the private enterprises can be successful. Cooperation is necessary among the city government, planning and zoning officials, chamber of commerce, development groups, and professional industrial real estate specialists.

Through this cooperation, a community can take the proper steps in planning for future industrial growth by making available a good supply of industrial sites. **END**



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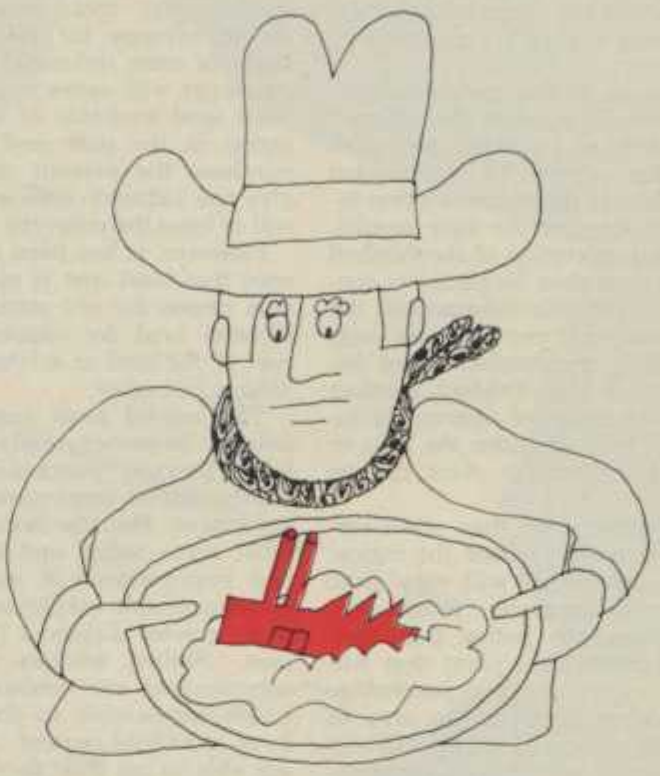
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INDUSTRIAL PROSPECTING: DO'S AND DON'TS



The industrial development practitioner and the industrial prospect spend a great deal of each others time, money and efforts.

On the average it takes 34 months before the final decision is made.

The industrial development man in his prospecting and continuous efforts must constantly bear in mind that industry is sensitive. It ultimately goes to the area to which it is intelligently invited and stays and expands where it has been well treated.

It's something like choosing a wife. So the industrial prospect should be aware of the following do's and don'ts that govern the actions and intelligible presentation of the industrial development practitioner.

Do research diligently. Is it a company compatible to the area? Is the economic geography of the area such that it can be reasonably proved to management that it can make money there?

Do keep a current list. This is not easy due to company mergers, conglomerates, executive personnel changes due to promotions, retirements and even the computer. If possible, do work with more than one company representative—due to site location's long period of gestation the industrial development man could get caught with all his eggs in one man's basket and have to start all over again.

Do gain the prospect's confidence —and keep it sacred. Make him feel that the industrial development man is on his site selection team. This means also that the industrial development man, even though paid by the area he represents, has the success of the industry ahead of all else.

Do keep constant contact—yet don't make a pest of yourself. Don't be afraid to use the telephone. Do use interesting, factual, unembellished direct mail, individually tailored to the industry's project.

Don't lose the prospect in your files—and if your input of facts is pertinent and increases his knowl-

JULIUS R. JENSEN, *author of this article, is an industrial development consultant with the Economic Development Corp. He is a former industrial development consultant for the city of San Diego. He is a member of AIDC and of the Board of Regents for the Industrial Development Institute at the University of Oklahoma.*

edge, he won't lose you in his files.

Do maintain sufficient budget to travel. The next best thing to having the prospect visit the area is to sit across from him in his own office.

Do have knowledge of the area's disadvantages or limitations, as well as its plus factors. The prospect's checks and balances will undoubtedly reveal them anyway.

Don't try to know everything about land, taxes, utilities, finance, transportation—but do know the people who do have the authentic answers.

Don't forget that industries employing 500 or more are only about two per cent of all manufacturing firms and some 88 per cent of all manufacturing firms employ fewer than 100 employees.

Do encourage the industry to make the announcement. They will probably give you and your committee more credit than you deserve.

Don't do it yourself, or you will be placed in the position of taking credit. Remember that all may not go well; you can't please everyone. If you are willing to take the credit for their location, then you should be just as willing to take the blame if they should not continue in your area.

Do guide and assist the industry announcement as much as possible by arranging press conferences, press kits, radio and TV coverage of executive interviews.

Do be certain local existing industries are tied in.

Don't expect the local constituency to let you rest on the laurels of last week's announcement. They will want to know "What have you been doing for us lately?"

Be imaginative about the announcement, the ground-breaking, the cornerstone. Put on a good show.

Do continue the attentions of your office and organization after actual location has been announced and the building constructed.

Do remember that the expansion of your local industries is the best testimonial to the healthy business climate of your area. Success breeds success.

Do give the local industrial expansion prospect the same red carpet treatment extended to the out-of-towner.

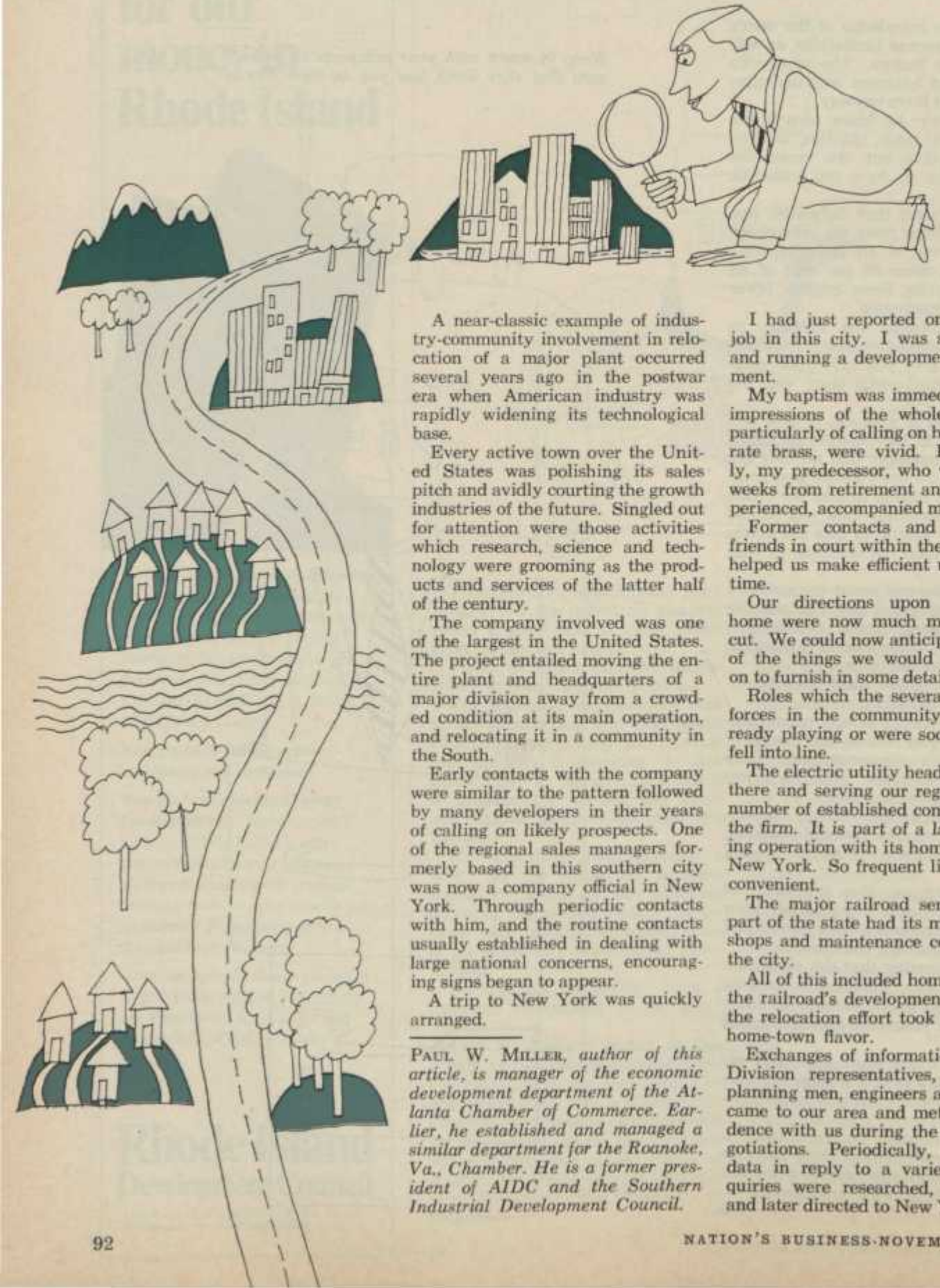
Do encourage the local to be a part of your team. Thus you can draw on his experience to present a success story to the out-of-towner.

END

Keep in touch with your prospects to make sure that they don't lose you in their files.



CASE HISTORY OF A SUCCESSFUL MOVE



A near-classic example of industry-community involvement in relocation of a major plant occurred several years ago in the postwar era when American industry was rapidly widening its technological base.

Every active town over the United States was polishing its sales pitch and avidly courting the growth industries of the future. Singled out for attention were those activities which research, science and technology were grooming as the products and services of the latter half of the century.

The company involved was one of the largest in the United States. The project entailed moving the entire plant and headquarters of a major division away from a crowded condition at its main operation, and relocating it in a community in the South.

Early contacts with the company were similar to the pattern followed by many developers in their years of calling on likely prospects. One of the regional sales managers formerly based in this southern city was now a company official in New York. Through periodic contacts with him, and the routine contacts usually established in dealing with large national concerns, encouraging signs began to appear.

A trip to New York was quickly arranged.

PAUL W. MILLER, *author of this article, is manager of the economic development department of the Atlanta Chamber of Commerce. Earlier, he established and managed a similar department for the Roanoke, Va., Chamber. He is a former president of AIDC and the Southern Industrial Development Council.*

I had just reported on the new job in this city. I was setting up and running a development department.

My baptism was immediate. My impressions of the whole mission, particularly of calling on high corporate brass, were vivid. Fortunately, my predecessor, who was a few weeks from retirement and well experienced, accompanied me.

Former contacts and our few friends in court within the company helped us make efficient use of our time.

Our directions upon returning home were now much more clear-cut. We could now anticipate many of the things we would be called on to furnish in some detail.

Roles which the several primary forces in the community were already playing or were soon to play fell into line.

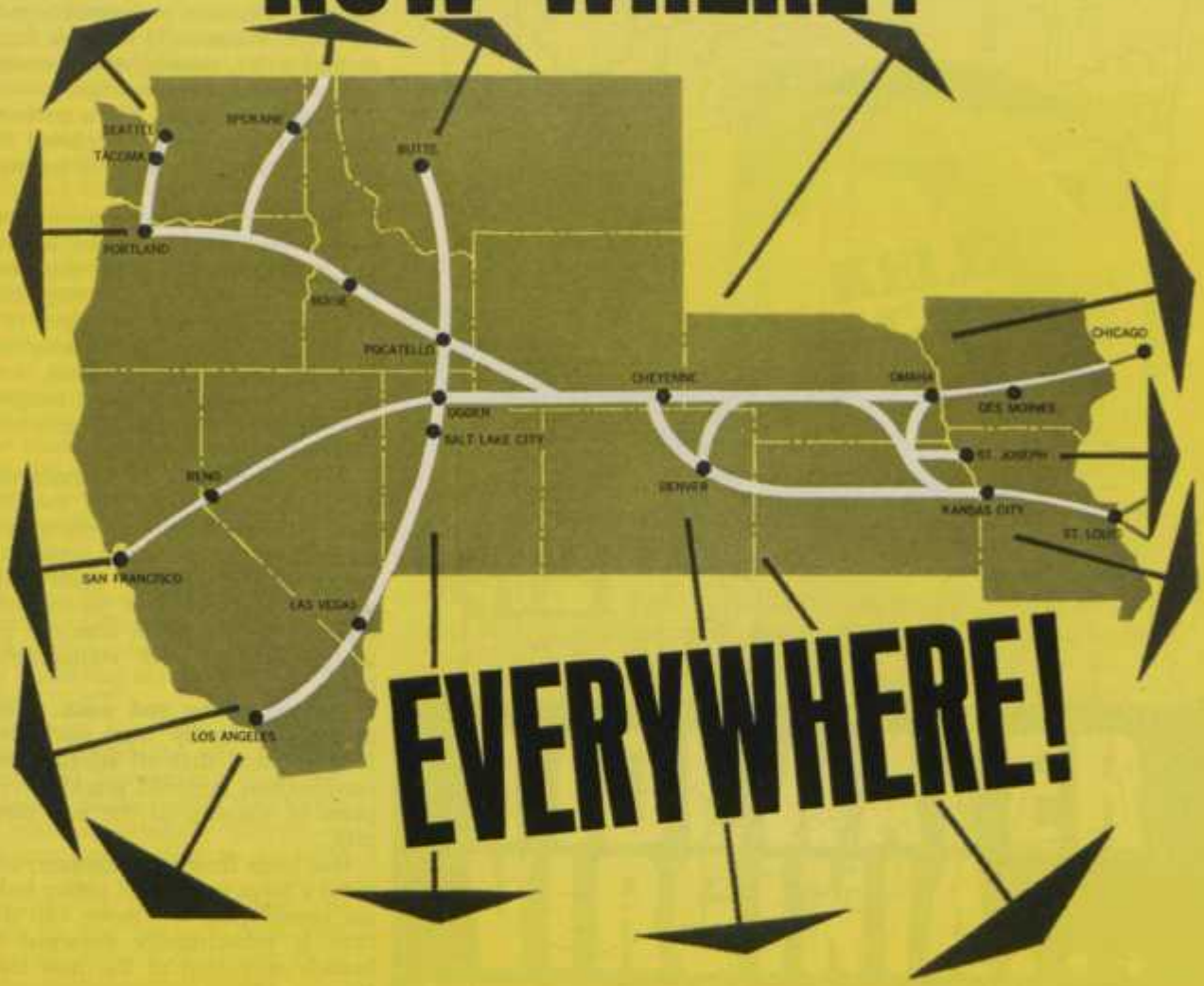
The electric utility headquartered there and serving our region had a number of established contacts with the firm. It is part of a large holding operation with its home office in New York. So frequent liaison was convenient.

The major railroad serving that part of the state had its main office, shops and maintenance complex in the city.

All of this included home base for the railroad's development staff, so the relocation effort took on a true home-town flavor.

Exchanges of information began. Division representatives, facilities planning men, engineers and others came to our area and met in confidence with us during the early negotiations. Periodically, economic data in reply to a variety of inquiries were researched, compiled and later directed to New York City

NOW WHERE?



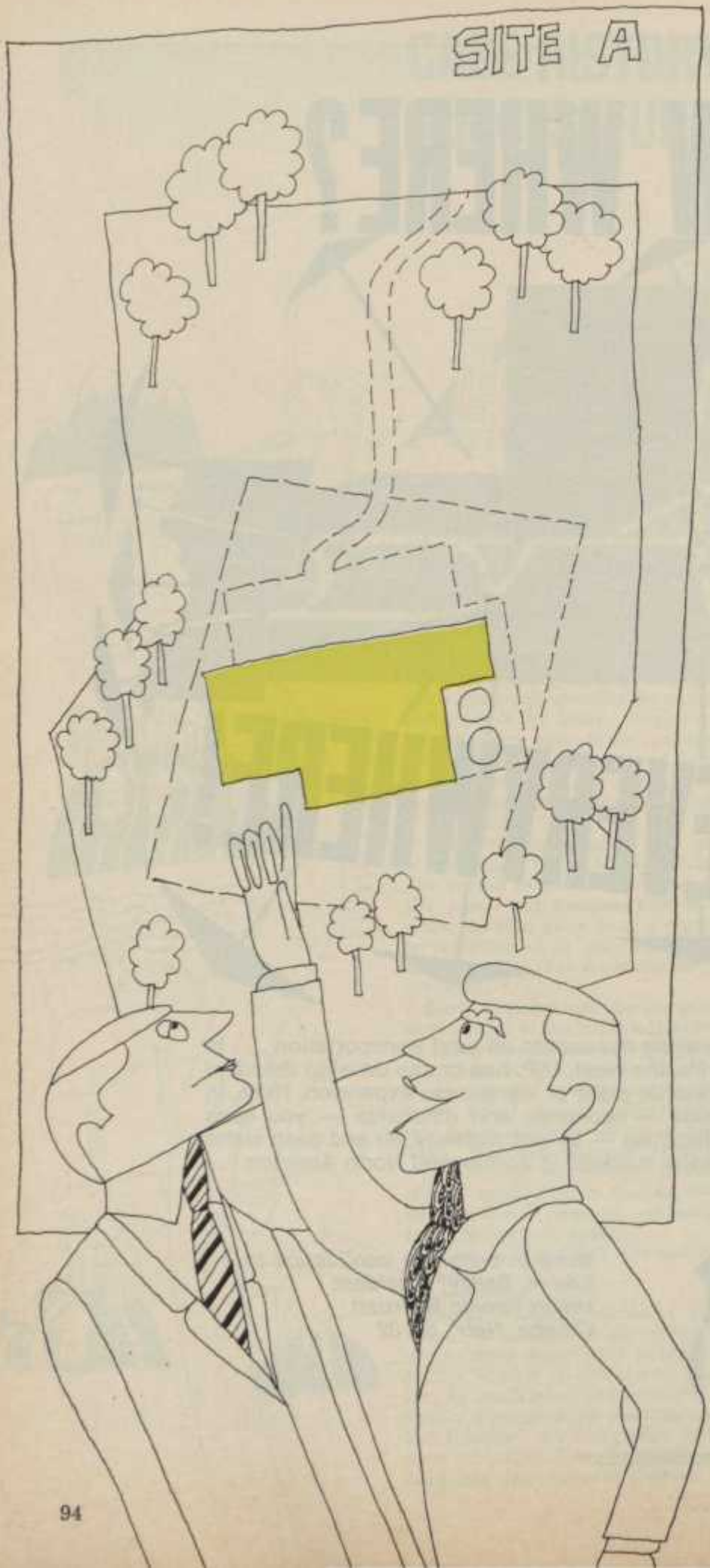
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GATEWAY TO AND FROM THE BOOMING WEST



CASE HISTORY *continued*

or to the division making the move.

Four main interests

During the many months of ironing out seemingly endless details, four main areas emerged to be resolved: Plant site, personnel to man the plant, community services (municipal water, sewers, storm sewers, access roads), the amenities.

On point four, the city's environment was thoroughly explored for both the tangibles and the intangibles.

Public school systems were given careful consideration from several angles. The more than 400 engineering families making the migration to a new region were residents of a state known for its well-accredited schools. Pupil-teacher ratios, academic courses and over-all budgets were important to these parents with children headed for college.

At the same time, those concerned with skills and staffing of the projected manufacturing operation pursued all details related to vocational training. These ranged from drafting and machine shop, to commercial courses geared to turn out potential clerical and stenographic help.

Diverse strong and weak points of the community were evaluated. It was found that all religious denominations involved would have a place of worship in the new plant city.

One large insurance company serviced a large number of policy holders considering the move. In due time it substantially enlarged its branch operation at the new location.

Contrasts in climates of the industrial East and the upper South meant compromises and some going for outdoor enthusiasts.

The company's community relations staff deftly handled the sensitive area of moving valued employees and their families to a completely new environment. Preparation was thorough. A book designed to answer most questions, special sets of color slides on homes and scenes of the whole area and orientation assemblies prior to the move all helped to smooth out the whole operation.

Plus factors at the new location included a top quality hotel, adequate air schedules, good shopping and service facilities and a permanent symphony orchestra.

Probably even more important

was a welcome attitude of the people and local government officials.

Hurdles to overcome

On the negative side, some of the family members being asked to move were reluctant to break lifelong ties. Homeownership was high. Consequently, much preparation and planning went into assisting everyone through the transition period of acquiring and moving into a new place.

Community services, or lack of them, are often the prime factor which brings about a decision in favor of a particular town—or forces a company to look elsewhere.

The ability of the city manager and aldermanic board to act promptly in guaranteeing performance was a plus item in the long checklist of essentials to be resolved. At the time of negotiations, recent expansions of municipal water and sewer capacities had been completed.

An immediate problem which had to be faced was service to the one plant site which appeared to meet all other criteria. Located in an unincorporated part of the country, city utilities had to be extended to the property line beyond the minimum capacities. This part of the community effort took place many months before any public announcement about the plant could be considered.

Numerous meetings and consultations in confidence were held between local governmental officials, engineers, professional developers and business interests directly or indirectly contributing to the solution.

Relating to the plant site, the search for the 100-acre tract with all qualifications took almost all of the pre-announcement period.

The locale was a winding river valley in a semimountainous setting. All the upper-level areas could be quickly ruled out. There were plenty of flat sites at the valley level. But most were a prohibitive distance from municipal utilities. Encroachment of residential areas, unrealistic price levels for key parcels, records of flood levels at river sites, lack of access to rail—all were part of narrowing down the list.

Valuable lessons were learned during the site hunt. Through the intervening months a development corporation had been created and sponsored by the local Chamber of Commerce to coordinate the community's long-range development effort. Unfortunately several years were to elapse before the corporation was to purchase or control land which could be offered to desirable

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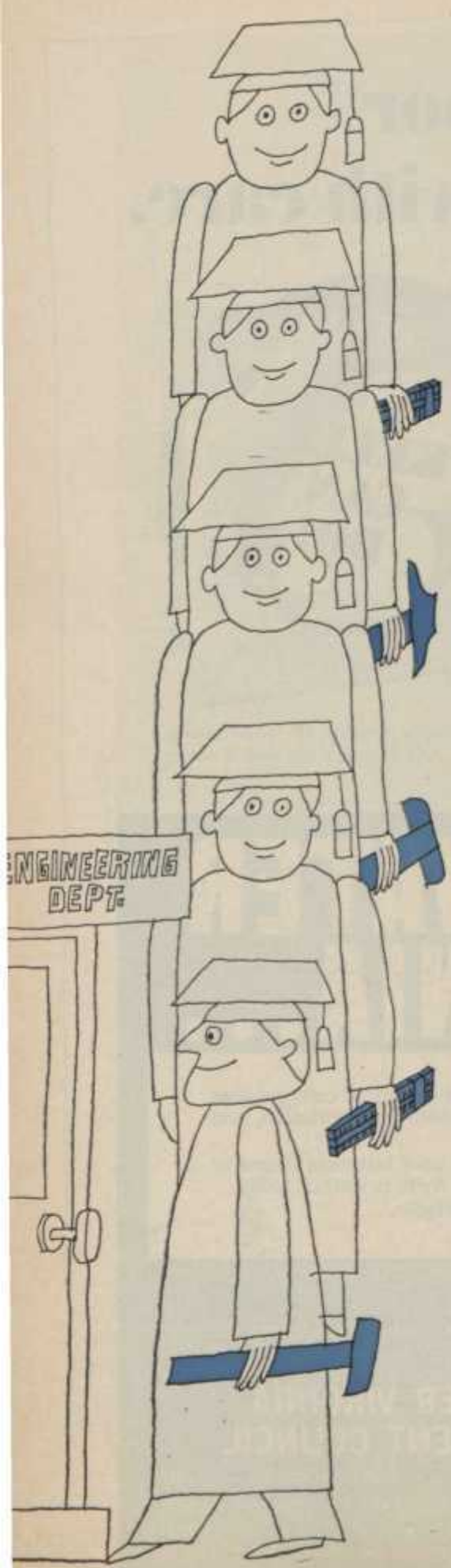
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CASE HISTORY *continued*

firms interested in the area. If title-clear property had been available, the announcement schedule could probably have been stepped up at least a year.

What they can do

But the development corporation performed two very helpful duties during critical periods. It was chartered as a regular, stock-issuing corporation to enable the railroads and electric and gas utilities to participate. The bylaws permitted buying or selling land, building or leasing buildings, or performing virtually any function helpful to the economy.

When the tract in the county emerged as the best possibility, site planning began. It was in limestone country. So a core-drilling grid was prepared for the acreage staked out within the perimeter of the proposed building. The findings are essential in determining the load-bearing qualities of the soil, in estimating grading costs and locating any cavities in subterranean rock formations.

At this point it was purposely publicized that the development corporation had options for the purchase of industrial or warehouse land for future use.

The industrial prospect agreed to underwrite the total cost of drilling, but the contract was written in the development corporation's name.

An understanding local press and news media were kept fully apprised of the happenings with the agreement that the release would be given to all if or when the full story broke.

Concurrently, personnel matters had been pursued in some detail. Present and future manpower possibilities at all levels were reviewed. The state's engineering institute was 42 miles away. The alumni, graduate and undergraduate divisions provided encouraging figures on potential employees from those sources.

At the technician level, the company's foreseeable needs prompted the formation of a committee to explore the establishment of a technical institute. Statewide systems in three other southern and eastern states were visited and studied.

Some engineering institutes maintain divisions for training technicians. The combination adds substantial prestige to the latter type of school. This arrangement was suggested and a location in the city was offered for an off-campus division.

Progress in the beginning was slow but the idea was finally adopted and planning began. The technical institute was a reality a year or so after the plant was built.

Company liaison at both levels proved very effective. Specialized research or testing equipment was donated to the engineering institute with no strings attached except that company personnel have reasonable access to it when convenient to all. For the technical institute, the company assisted both with equipment and curricula planning.

In the community relations effort, the main employers of the valley area were approached individually at the personnel manager level. All common job classifications were compared in detail, including fringe benefits and explanations of local customs and practices.

Copies of the newcomer's projected wage structure and procedures were promised as part of the exchange, with the hope that the plant's staffing would hold to a minimum the disruption of any particular company's operation.

The development corporation stepped in with a timely gesture during the last real emergency.

The plant site fronted on two main arteries. The need for an access road to fan out traffic safely during plant shift changes was evident. Meetings with the highway department produced prompt planning and the promise of a suitable road on right-of-way donated by the company. However, the actual funding of this unbudgeted, unscheduled project made it impossible to estimate a date for construction to begin. Knowing of the firm's insistence upon safe traffic conditions, and facing a possible deadlock, the development corporation's directors met in special session. By letter, the corporation assured with its own money the building of the road if the highway department was unable to allocate the needed funds by the construction date.

This guarantee removed the last obstacle.

The new plant was publicized the day of the company's next directors meeting. Headlines in the local newspapers trumpeted the news.

And the highway department found the money in plenty of time to build the access road.

Thus General Electric Co. decentralized its Industry Control Department plant and headquarters.

The move to Roanoke Valley in Virginia produced some valuable experience and insight which helped GE's other decentralization moves since. **END**

A MESSAGE FROM THE OCEANOGRAPHY CAPITAL OF THE WORLD . . .

Pirate Or Research Scientist — Florida's Oceanographic Treasure Will Stagger Your Imagination.

For several centuries one of the greatest concentrations of Spanish treasures has lain in a few fathoms of water just off the beaches of Florida. Suddenly it's peanuts.

What Oceanographers now know about these waters... their actual and potential wealth... literally staggers the imagination

If you are planning to get your feet wet in the oceanographic game, you couldn't pick a better place than Florida.

This is the Oceanographic Center of the World. Here you will find, right at your elbow, the specialized laboratory facilities, the skilled industrial and scientific know-how, and the natural environments to meet your every requirement.

When may we show you our treasure? Simply write or call...

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Space contributed as a public service by this magazine.

Pick one to die.
Pick one for jail.
Pick one to waste away.
Pick three for happiness.



Photo contributed by Bruce Pendleton

Some children find happiness easily. Others need the help and guidance only a trained person can provide, medical attention they cannot afford, love they have been denied. When you decide to give to your United Fund or Community Chest, you may change a life.

Your company gift, plus a payroll plan, works many wonders

THE UNITED WAY

27.5 million families benefit from child care, family service, youth guidance, health programs, disaster relief and services for the Armed Forces through 31,300 United Way agencies.

KEYS TO SOUND PROMOTION



Everybody has seen industrial development promotion: the fat or thin, plain or fancy, exaggerated or understated folder, booklet or brochure that describes the advantages of operation in a specific country, state, region, county or municipality.

Here's one example. See if you can name the place.

It's a handsomely printed 32-page brochure small enough to fit in your breast pocket. The full color cover shows an air view of a highly developed area and announces that X City "Opens Her Gates To Industry."

Inside, pictures and text cover such topics as "How to Locate a Factory," "X City in Figures," "Living Conditions," "Transportation Connections" and "The City of Industry."

A sample passage reads:

"This is unquestionably the very focus point of the whole industrial universe.

"It is the marketplace where all the world's goods are bought and sold."

If you recall this brochure, your memory is long. It was prepared 52 years ago by Louis Schlesinger Co., still a leading industrial realtor, in May, 1916, on behalf of Newark, N. J.

Industrial development promotion in a sense goes back to the time the Pharaohs plotted the location of the pyramids.

In the past half century, thousands of North American communities, utilities, transportation carriers and states have presented their particular wares via space advertising and booklets. In most cases they have covered the self-same points registered in the 1916 Schlesinger booklet.

But this doesn't mean promotion

TED M. LEVINE, *author of this article, is president of Development Counsellors International, Ltd., New York, N. Y. He is a former director of public relations for the Puerto Rico Economic Development Administration. He is a member of AIDC and chairman of its public relations committee.*

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Ask us for plant site data on 350 communities in the Carolinas. Our experienced industrial development department has the information you need. It's complete and objective. Completely confidential, of course. C. J. Turner, Manager, Area Development Department, Raleigh, N. C. 27602, 919/828-8211, F. G. Voss, Area Development Department, Florence, S. C. 29501, 803/662-3264.

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BUILDINGS AVAILABLE — Structures which can be completed to your specifications within six weeks are now available. Call or write for more information.



strategy and tactics aren't changing. They are, and fast.

The new techniques

Here are three trend words that describe what's been happening: Variety, plausibility, selectivity.

• Variety—At the end of World War II there were probably not more than a hundred bona fide industrial and area development outfits. Today the figure is over 10,000, and virtually every one uses some form of purchased advertising or printing to find prospects and to convince them of the relative merits of their locality.

Personalized direct mail is an increasingly popular device, and highly sophisticated development groups are currently hunting their quarry with specialized mailing lists broken down by executive title, company, size, geography, product category, growth trend and many another criterion. The omnipresent computer is playing an increasing role in this particular exercise.

Publicity, the placement of "free" editorial stories as contrasted to bought advertising columns is also eagerly sought. Close to one hundred area developers currently employ professional public relations counselors.

In the realm of sales promotion, the still-standard brochure is being supplemented by giveaways. One state, for example, has perfected a development slide rule: A few settings and you can pick the community that best fits your needs. Another region distributes genuine gold ore samples to symbolize the supposed profit potential in its area.

Many developers are cutting through promotionally to the prospect and organizing breakfasts, lunches or dinners in which a top figure, often the state governor, makes the soft-sell pitch aided and abetted by entertaining (and often expensive) visual presentations. The province of Nova Scotia, a leader in this particular technique, sponsors seven such luncheon presentations each year spotted throughout the United States. Each participant is served a freshly caught one and one-half pound crustascean and a Nova Scotia lobster protective apron suitably inscribed is then presented to him as a permanent souvenir and reminder of the province's locational lures.

How much does all this industry-seeking activity cost? Nobody

knows for sure. But, taking expenditures of measured media alone, we come out with a figure over $50 million a year, increasing annually by at least 20 per cent.

• Plausibility—Time was when every developer tried to be all things to all men. His locality was "at the center of a vast market." His workers were "dynamic, enthusiastic and easily trained." His roads were "superhighways and national arteries." And his cultural facilities "sparkling and sophisticated."

With growing competition by developers and technical know-how by facilities locators, the system of glowing hyperbole is being scrapped and replaced by a straight and specific talk. Developers define with extreme care which is their best foot and then place it forward.

In striving for plausibility, an increasing segment of developers are turning to what is often their best sales argument: The companies already operating in their own baliwicks. In a typical move the state of Nebraska has enlisted a corps of diplomats, successful business executives who quietly promote their home territory in all their travels.

In a successful example of soft sell, a southern railroad developer ran a sizable advertisement in expensive media touting a town that "Isn't the best," but is a relatively nice place to live, work and place money. The ad incited twice the interest and inquiries of previous offerings.

• Selectivity—This key word is what it all comes down to. As a leading utility development man said, "I'd rather reach the right people directly than 10 million wrong people by glossy advertisements."

And alert developers are following this advice: Figuring out just what they have to offer and to what industries and companies they can best offer it. Then going ahead and offering it as personally and individually as possible.

Just how far this trend toward selectivity can go is shown by the following anecdote. A couple of years back the New York Stock Exchange announced that it was considering moving out of New York City because of a potentially unfavorable tax situation. Right across the Hudson River, Jersey City wanted to bid on that facility, so it addressed a $5,000 advertisement to one man, Keith Funston, the head of the Exchange.

You can't get much more selective than that. **END**

growth companies moving up make this city one of the fastest-growing in America.



find out why.

This handsome new 60-page brochure tells about Colorado's Front Range of Science and Technology—the 150-mile span where the high plains meet the Rockies.

It tells you why Metro Denver—the heart of this Front Range—is one of the fastest-growing cities in America.

Companies that make headlines for dynamic performance have moved here: IBM, Martin, Honeywell, Hewlett-Packard, Sundstrand, Ampex, Litton, Bendix.

Companies that began here have grown into industry leaders: Samsonite, Gates Rubber, Coors, C. A. Norgren, Ideal Cement.

One reason is highly-educated, stable, productive labor. Another is the unrivaled combination of great climate, urbane atmosphere, and magnificent recreation that puts Metro Denver at the top of the list as a place to live, that makes it easy to recruit the special skills.

The Front Range scientific complex has strong universities, the National Bureau of Standards, and the National Center for Atmospheric Research among more than a hundred research installations.

And there's fast, economical transportation that serves every market in America easily and efficiently. Plus low building costs, abundant energy and water, and business-oriented community attitudes.

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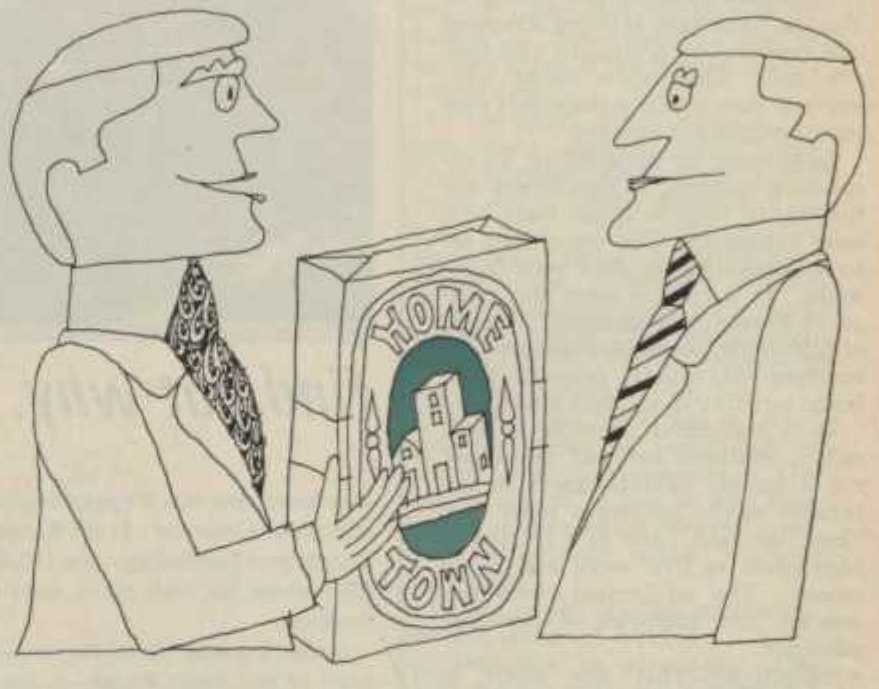
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HOW TO SELL YOUR OWN HOME TOWN



Any businessman wanting to enlarge and improve his community's economic base faces two big chores:
1. He must carefully catalog both his area's advantages and disadvantages.
2. He must market his area's industrial potential in what often is a less than receptive marketplace.

He'll be asking people at home to spend their dollars in an uncertain industry procurement investment, and he'll be asking busy corporate representatives to invest in a location they perhaps haven't considered or even heard of.

So how should the businessman start a development program? Methodically, professionally—just as he tries to run his own business.

First he must mobilize the talent in his business community.

In our daily work with Middle Tennessee citizens we urge that every effort be made in each county to organize an industrial development commission of energetic local individuals with aggregate experience in full-time chamber of commerce or industrial development work, manufacturing, banking, real estate, law; civil engineering, tax/finance, sales and government (especially state government).

The full-time development worker will be the single most valuable team member. In most cases he should be designated to spearhead the commission's work, and, later,

DONALD R. PACE, *author of this article, is executive director, Middle Tennessee Industrial Development Association. Formerly, he served as manager of the Industrial Council of the Memphis Area Chamber of Commerce and assistant manager of its Industrial Department. He is a former board member of AIDC and a member of the Southern Industrial Development Council.*

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to deal directly with the industrial prospects.

The commission's first job will be to assess what the community has to offer to incoming industry: Labor and material resources, utilities and fuels, properties available and suitable to industrial uses, transportation and communication facilities, civic improvements. This will demand complete objectivity.

The commission's earliest surveys should involve close contact with the community's present industry. If an incoming firm is apt to encounter big difficulties, the businessmen already there are probably well aware of the problems, and may in fact need some helpful attention themselves.

Helping those already there

Aiding present industry is at least as important as bringing in new industry. From the point of view of the industrial prospect, an established pattern of commercial and governmental cooperation with manufacturing will be a strong point in the community's favor.

Having taken these steps, the concerned businessman and the commission members should formulate detailed, well-balanced plans, keeping in mind their financial resources.

Several state, civic and private industrial development groups are probably already set up to write letters, advertise, travel and otherwise develop prospect leads on a broad basis. The commission's best bet is to work closely with these agencies, which include utility companies and railroad and large bank development offices, while applying funds to needed civic improvements, preparation of industrially-zoned property for actual construction and use.

Generally a low-budget program of direct prospect procurement at the local level is wisest.

Ads in journals can be effective for wide publication of a special advantage in the area—an unusually good site, an available industrial building, or a specific skilled labor availability. Use direct mail advertising only on a highly selective basis, with special attention to factual, credible content and quality presentation.

Personal industrial travel is definitely only for the industrial development organization with a budget of $100,000 or more. An ex-

perienced industrial development man, working hard and fast, and with proper preparation, can complete an average of 20 calls in five days. Expenses for the five-day trip will average about $400.

Most money and energy behind the local, moderately funded industrial development program should be spent at home. Besides caring for existing industry, the community leaders should vigorously promote new home-owned and home-operated industrial ventures and expansion of those presently underway.

Almost certainly, branch plant operations will be easier to obtain. But careful investment of local capital in local initiative and ingenuity will produce a healthier net effect and will yield a vital long-range profit. Fewer dollars will be siphoned from the manufacturing value added at home to headquarters elsewhere. More wealth will remain in private and public accounts locally.

Selling the project at home

Assuming that intelligent, energetic work goes into these phases of the development project, only one further bit of forewarning is needed. It has to do with the common problem of keeping the support ranks motivated.

An ounce of prevention is well applied here. The local developers must communicate candidly with their support people, because, unfortunately, results won't always be readily apparent to them.

We recommend a monthly resume, in newsletter form, of development activities and results, along with special memos to key supporters about significant steps taken or proposed. Hold frequent "council meetings" with these people to discuss plans and current projects.

One obviously important backer for development efforts is the local power structure. Its sanction for major programs will occasionally prove helpful toward maintaining support and soliciting new interest.

Full-time, professional industrial development people can help educate the rest of the community in project goals, as well as obtain prospects. From this point, the growth workers must remember that no set of plans is good forever. They must frequently ask, "Are our plans sufficient? Are our priorities in proper order?" **END**


Lt. Gov. Robert L. Rock

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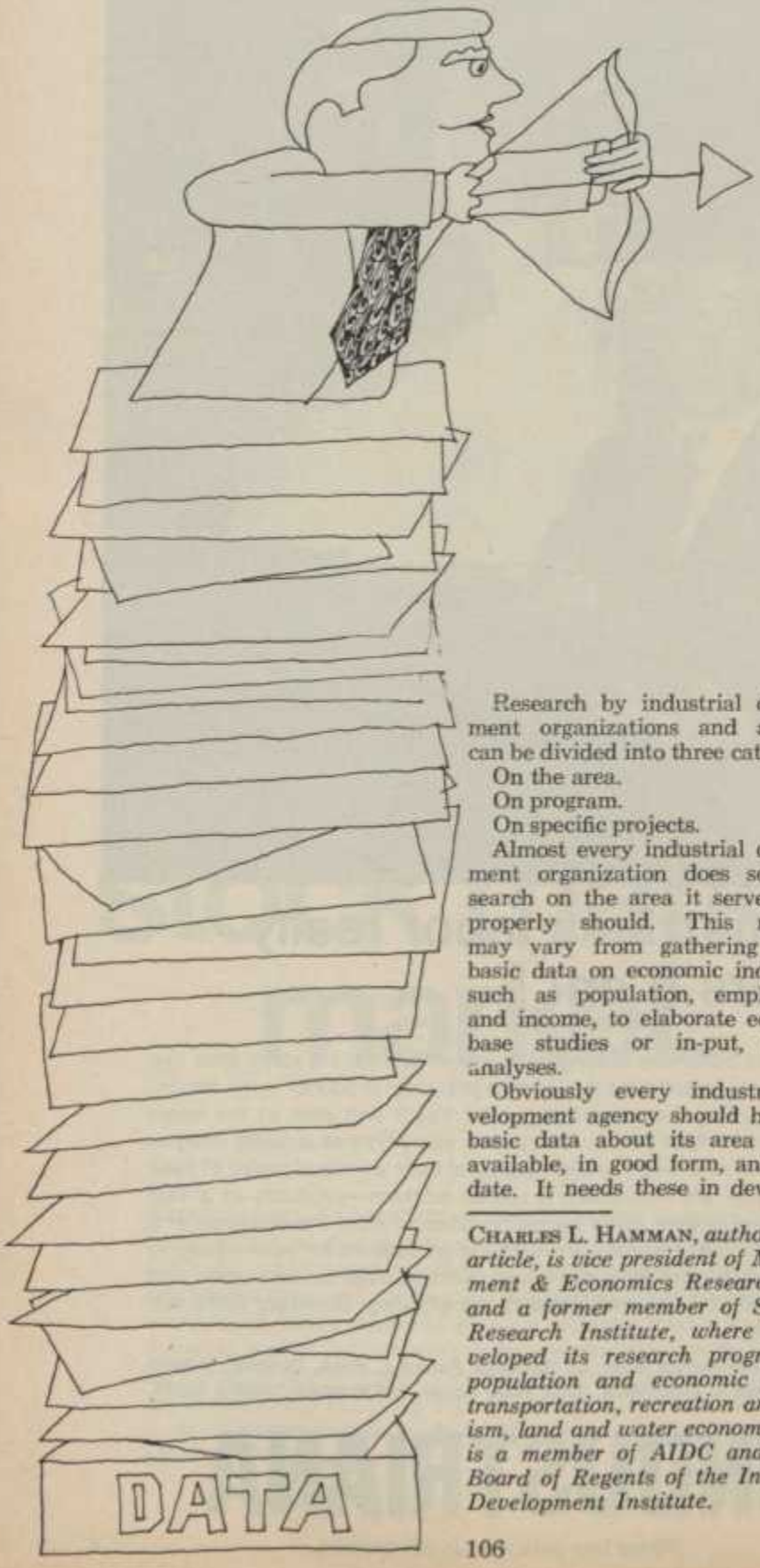
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RESEARCH THAT PAYS OFF





Research by industrial development organizations and agencies can be divided into three categories:

On the area.

On program.

On specific projects.

Almost every industrial development organization does some research on the area it serves, as it properly should. This research may vary from gathering simple basic data on economic indicators, such as population, employment and income, to elaborate economic base studies or in-put, out-put analyses.

Obviously every industrial development agency should have the basic data about its area readily available, in good form, and up to date. It needs these in developing its program, in measuring its effectiveness and to serve the needs of its prospects.

Twenty years ago this was the focus of most research in industrial development. Today such data collection and analysis can usually be accomplished with relatively little time and money. State and federal agencies provide much of what is needed in the way of basic data. The one big gap that usually has to be filled by industrial development agencies is information on the number of new plants and expansions in the area, their nature, size, employment and related details.

For many industrial development agencies, the economic analysis of the area served may be quite simple. It is the unusual situation where the kind of analysis needed cannot be developed either in the staff or with the help of a nearby university.

Both data-gathering and area analyses should be planned with specific use in mind.

Where to start

This planning must start with the setting of long-range objectives:

What kind of a development do the people of this area want? At what

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RESEARCH THAT PAYS OFF *continued*

rate should the development take place?

To what degree do these objectives need to be tempered to bring them in line with reality?

Once objectives have been established, research can contribute to the development of programs to achieve them. One of the most obvious applications is the investigation of programs that have worked and failed in similar areas.

One of the most important applications of research is in targeting. Given limited resources, an industrial development agency should focus its efforts on those industries and activities most appropriate to its area.

The established objectives provide some guidance, but effective programing requires the identification of specific targets as well as the means by which these are to be approached and developed.

Research can help also in establishing the means of measuring progress on those programs that are adopted. Cost effectiveness approaches can be very useful. If amounts are budgeted for advertising, solicitation, or other promotional efforts, the costs should be related to results—not necessarily in the short term—but certainly in the long run. Similar analyses should be applied to such incentives as tax subsidies, industrial bonding and similar programs.

For instance, one study showed that, over a 10-year period, two thirds of all the new plants to which a tax-remission program was applied would have located in that area without the benefit of this incentive.

One of the most effective areas for research is that of specific project analysis. Such studies take many different forms and are used in many ways. They include resources development studies, industrial park studies, feasibility studies and impact studies to mention a few. Such studies are particularly appropriate when the industrial development organization wants to develop a resource (mineral deposits or a tourist attraction) add to facilities (a new airport) or develop land (an industrial park).

Project studies can also be used in efforts to attract specific industries. But private companies do not always fully accept feasibility studies on expansion of their industry developed by an industrial development organization. Management generally feels that it knows its industry and its costs better.

However, data on the area and on markets as inputs to feasibility studies that might be made by management are often useful and readily accepted.

Impact study's role

Closely allied to the feasibility study is the impact study.

It is perhaps the most technical and difficult of the analyses in common use. However, the impact study is very important, not only to the decision-making process on the project, but also to the measurement of that project as it contributes to the objectives of the industrial development effort.

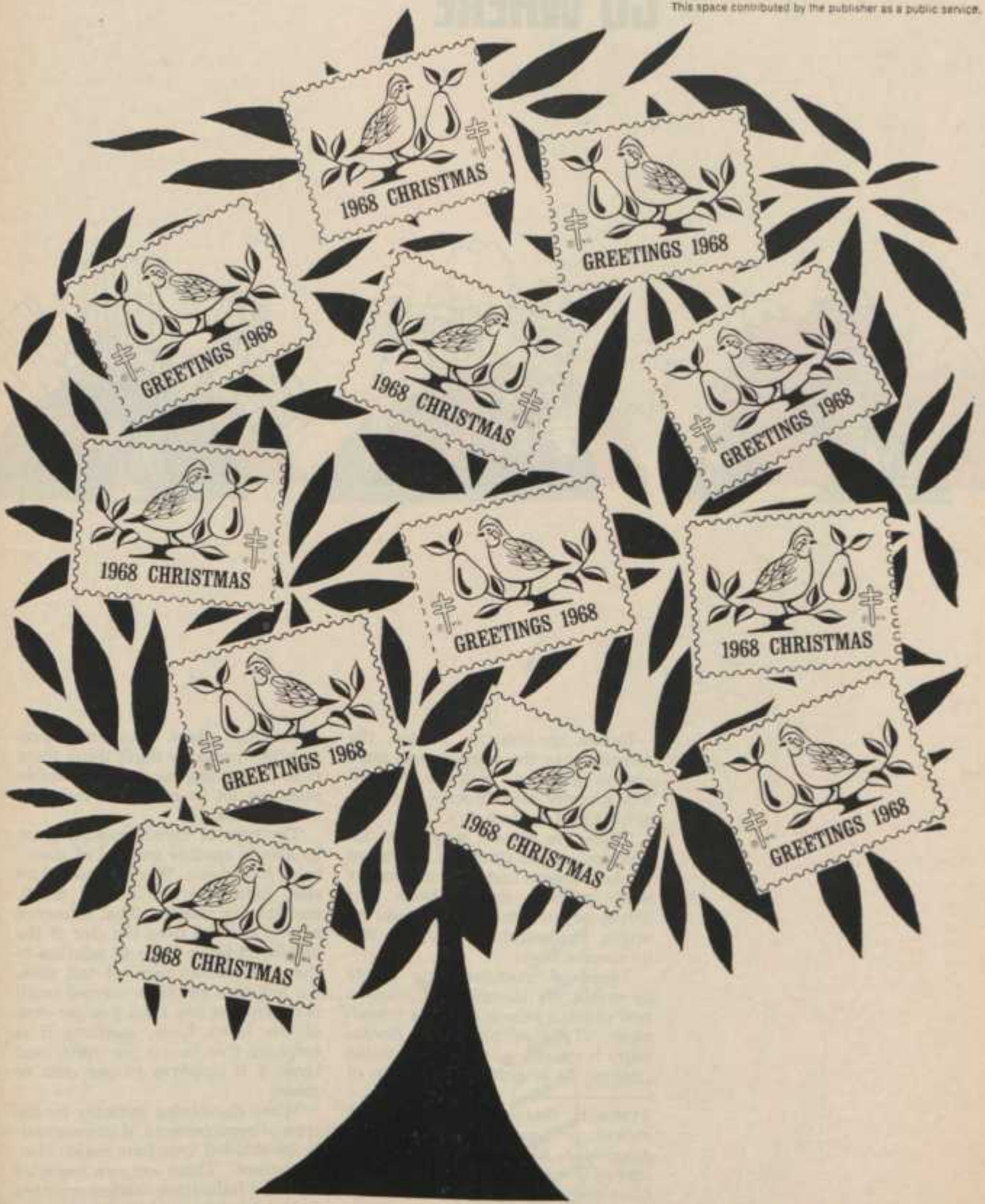
Misuses of research in the field are widespread, too. For example:

- Research by the pound—This often takes the form of great compendiums of statistics ranging from bank clearings to postal receipts. These data are undoubtedly useful in their own fields but masses of such data cannot be made relevant to either the needs of the average industrial prospect or to the program development needs of the industrial development organization itself. Masses of data are not impressive. Selectivity and relevance are.
- Studies as a substitute for action—When leadership either cannot make up its mind or does not want a particular issue resolved, it will often take refuge in having a study made. There is at least one major city in the United States that has set aside an entire room just to store the transportation studies made over the years. Since studies go out of date, a new one can always be proposed. It is no wonder that research proposals are greeted with the cry—"not another study!"
- Buying a name—Some industrial development agencies have sought studies of their area with the thought that a prestigious name on the cover of the study would somehow attract industrial prospects.

It is highly unlikely that many industrial prospects are so naive. Unless the research provides new insights or conclusions that are rational and convincing and lead to action, the study is nothing more than a showpiece to grace the bookshelves of those who commission it.

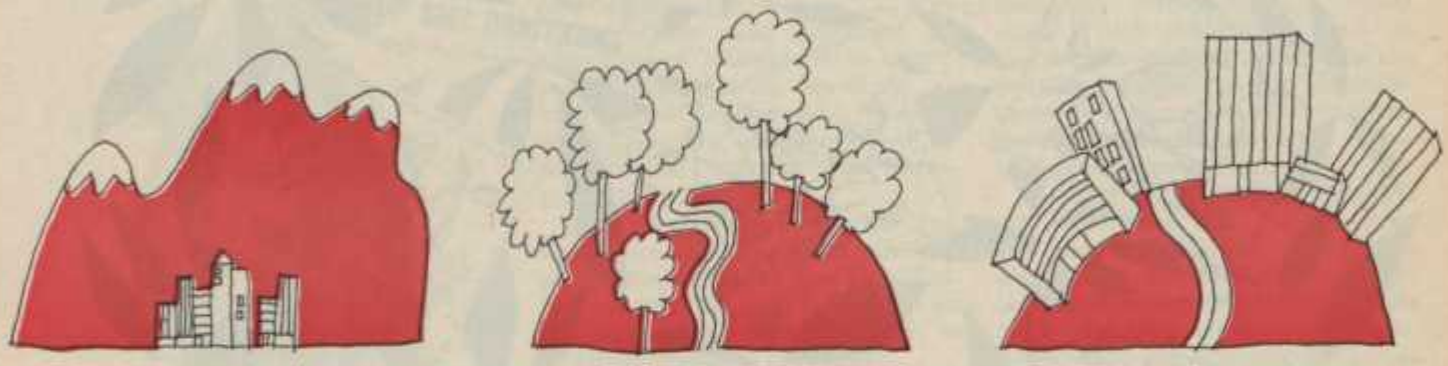
Applied research, by definition, is research that should pay off. It should yield results commensurate with its cost or it is not a good investment. **END**

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WHICH INDUSTRIES GO WHERE



Before an industry locates, the consultant or the management team always takes into consideration, either directly or indirectly, the classification of the industry.

There are several ways that industries can be classified. Some of the best-known and most commonly used industry classifications are: Types of manufacturing plants by origin, by desirability, by size and by requirements.

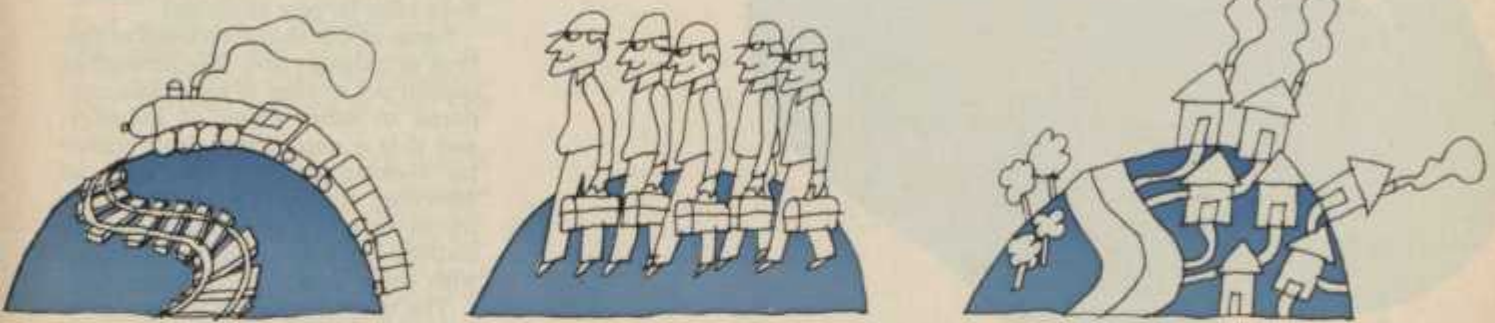
Types of manufacturing plants by origin are classified as either a new plant, a relocation, or a branch plant. Type of plants by desirability is exactly as the classification implies. It is either a desirable or undesirable plant. But some communities probably don't think there is such a thing as an undesirable plant, so let us call them nuisance or non-nuisance.

The type of manufacturing plant by size is another method of classifying industries. When classified by size, industries are termed small, medium or large. The reference here is derived from the size of the employed labor force in relation to the total labor force of the area. An industry would be termed small if it employs less than five per cent of the labor force; medium if it employs five to 10 per cent; and large if it employs 10 per cent or more.

When classifying industry by the type of requirements, it can normally be divided into four major classifications. These are raw material oriented industries, market oriented industries, labor oriented industries and foot-loose industries. The basic requirement of the manufacturing plant is the most important factor in determining its location.

The first of these, the raw materi-

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WHICH INDUSTRIES GO WHERE *continued*

al oriented industries, are those industries that have located in an area for the exploration and processing of a specific raw material. Examples of this type would be the steel mills, smelters, the chemical processing plants, oil production and other types of mining processes.

It is these raw material oriented industries that the United States has been particularly blessed with, and it is quite obvious that these have been largely exploited.

Some of the characteristics of this type of industry are: The amount of capital per worker is very high compared to other types of industry; and it is a non-metropolitan industry seeking out the raw material wherever it may be—and actually trying to avoid population concentrations since it is usually associated with some nuisance characteristic.

The market oriented industries locate in an area because of an established or potential market. These industries can be subdivided into two categories—the consumer and industrial.

As implied, the consumer type industries are those that are destined for use by the ultimate consumer and are in such form that they can be used without further commercial processing. Industrial goods are those that are used in producing consumer goods, other industrial goods and services and for facilitating the operation of an enterprise.

Some of the characteristics of the market oriented industries: They generally require less capital per employee; they are easier to move from location to location; they always tend to locate near populated or industrial areas.

The labor oriented industries move to an area because of the skills or prevailing wage rates of the local labor force. An example of industry locating to utilize available skills is indicated in the growth and development of the electronic industry on the West Coast. Basically, the West Coast offers the largest pool of skilled assembly workers needed by the electronic industry. Also, it is easier to entice prospective skilled employees to move to the West Coast, because of the favorable publicity concerning the West Coast living conditions.

The movement of the textile and apparel industries from the Northeast to the South is another example of industries locating in an area

because of favorable wage rates. Some of the characteristics of the labor oriented industries: They require a minimum amount of capital investment per employee and a large pool of available labor. In most instances, skills are a determining factor, and they will relocate for a more suitable labor supply.

The fourth type, the foot-loose industries, are those that can locate within a fairly large area or region and their basic requirements are a combination of raw materials, markets and labor. The main reason they locate here instead of there is because of some intangible factor that is difficult to measure. This is the category into which most industries fit, and it is these industries that everyone is trying to court and marry.

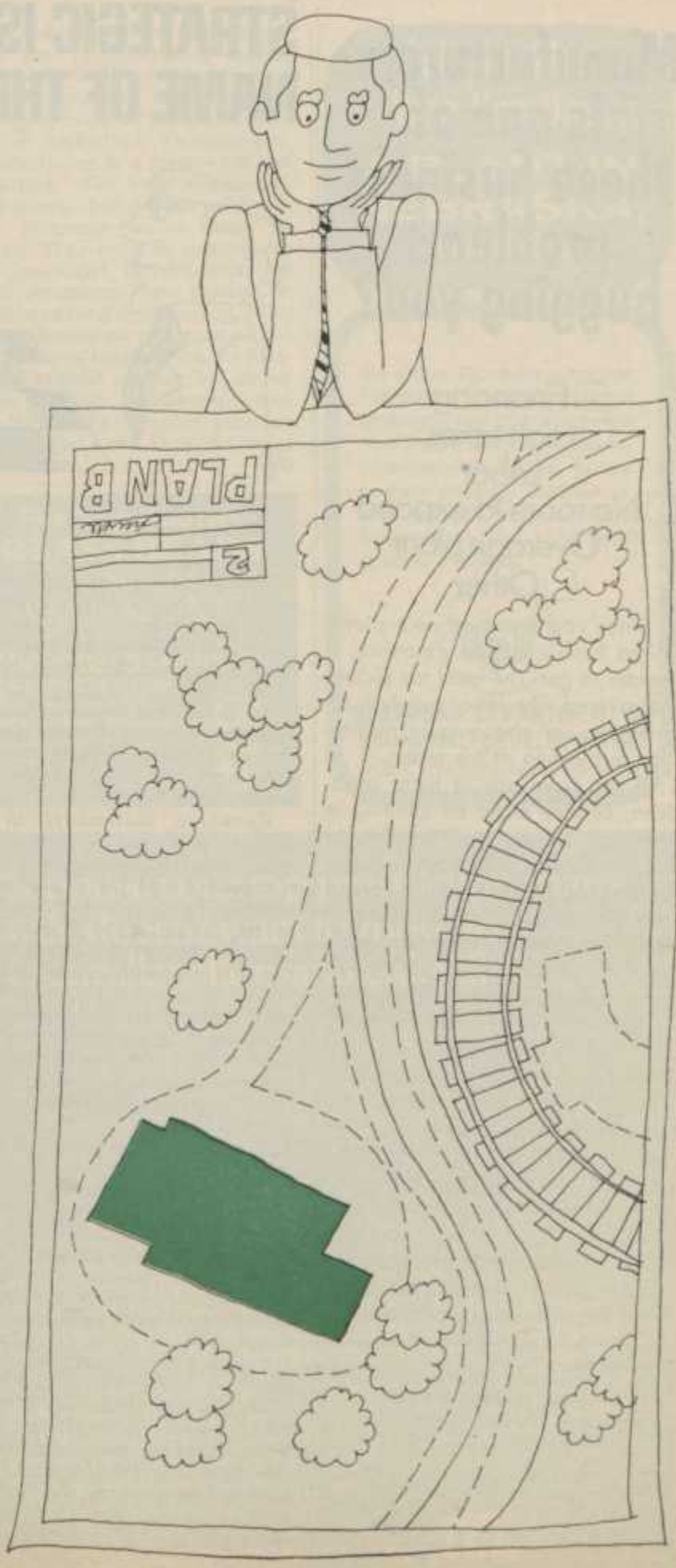
The characteristics of this type of industry: It must have a suitable combination of a labor supply and market; it must be located near distribution facilities, and it must have ready access to the raw material or semiraw material needed in the production of the finished product.

The foot-loose type industries are highly mobile, and they can be selective of the area in which they locate.

There are many other considerations why industries go where they do, but it is common knowledge that without the basic ingredient of the industry, whether it is labor, raw materials, market or something else, the industry will not consider a relocation or expansion unless it can make more profit in the new location. It is a known fact that if two areas meet the same basic requirement, then there are other factors that come into consideration. These could vary from an outstanding recreational facility to the gift of the land and building—and everything that might fall in between.

Industry today is placing more emphasis on the economics of selecting a new location. The cost of establishing a new plant in a wrong area is prohibitive, and the local area must prove beyond a doubt that it offers more of the things the potential industry needs to make a profit than any other area under consideration.

If you can show management that your area has the basic ingredients needed for his operation and that he can take these ingredients and realize more profit from a plant located in your area than he can in any other location, chances are you will get a new industry. Industries go where the profit is. **END**



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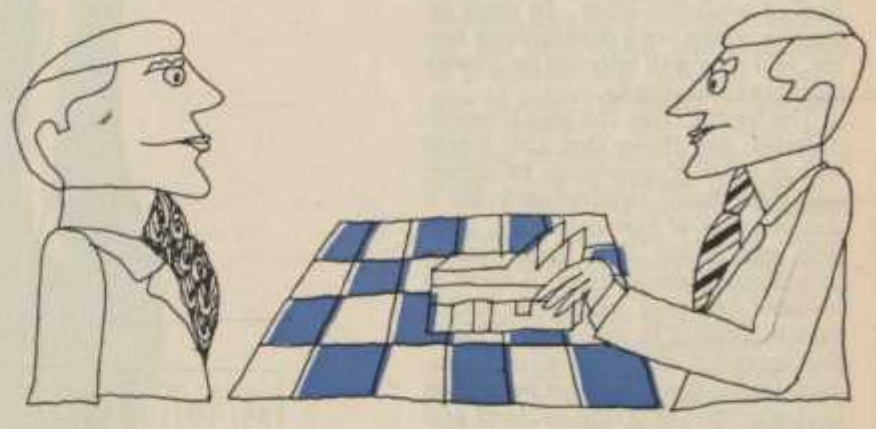
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STRATEGIC IS THE NAME OF THE GAME



The practice of industrial development in North America currently is in a transitional stage. No clear line between the customary connotation and the classic is discernible.

To understand this situation, it is necessary to recall that the popular concept of the term "industrial development" in North America is essentially unique.

Elsewhere, particularly in the planned and quasi-planned economies, Industrial Development (with a capital I and D) is capital investment in all potentials available to the nation or to a geographic space in the nation. Every potential be it essentially one for economic or social or political development is the target of Industrial Development. It is a matter of stated public policy. The underdeveloped and emerging nations see it as the alpha and omega of their national effort.

Industrial development practice in North America, on the other hand, evolved over the years from a tactical base. The term was applied to programs, first initiated by elements of the private sector, to attract capital investment in manufacturing industry. It applied not necessarily to the public interest, but rather to realize upon the real estate holdings of private entrepreneurs, railroads, utilities and the like.

The North American connotation thus became the "attraction of industry." The process accelerated over the years. Programs proliferated in the private sector soon to be matched by the civic and public sectors.

Following World War II the term industrial development became firmly entrenched as meaning "programs to attract industry," specifically manufacturing. Thousands of organizations across North America undertook operations of varying degrees of sophistication.

"If elected I will bring industry to our fair city!" vied with motherhood and the flag as a sure plank in a politician's platform. Competition increased with each passing year. The odds mattered not at all. "Seeking industry" became a goal of civic endeavor seemingly everywhere.

What concerns us is that industrial development came to be publicly and strongly advocated, not in its broad, strategic connotation, but rather in a narrow sense the width of which was determined solely by the bounds of a given program's constituent area.

Such acceptance and advocacy placed the practice at a great disadvantage. However, under the increasing pressures of the social conflicts forcing themselves upon the public conscience in the '60's, the classic concept has broken to the surface at last. Nowhere is this more evident than in the increasing-

RICHARD PRESTON, *author of this article, is executive vice president of the American Industrial Development Council. He is also vice president of the Conseil International des Economies Régionales, Paris, and past president of the National State Planning and Development Agencies.*

ly discernible policies emerging in the public sector, particularly in the national legislation of the United States and Canada.

Apparent is an increasing conviction among national, state and provincial leaders that the old pattern is not adequate to cope with the task at hand. In many influential quarters it is held that the traditional North American approach is actually a deterrent in solving the serious socioeconomic problems which confront the urban and rural areas of both Canada and the United States, particularly the latter.

The growing sentiment is that industrial development must be recognized as Industrial Development. Industrial Development must be accepted for what it truly is: The heart, the core of total development, and not merely that element of its over-all operation known as the attraction of industry.

In essence anything which Industrial Development does or does not do—or does well or does poorly—occasions very considerable response in the interlocking spheres of economic, social and political development. The investment of capital in the potentials available—whether for the development of human or natural resources, for technologic or facilities development, or whatever their purpose—is the true scope of Industrial Development in its classic, strategic connotation.

Regionalism as advocated and practiced both in the United States and Canada today is the most evident manifestation of this return to the classic connotation. Regional planning and development commissions, and programs directed to economic development for essentially social development purposes through a wide program of Industrial Development, are a form of political development. Administrative policies, which require compliance with certain conditions before federal grants or loans for development operations are made, are making the classic concept a part of program planning.

In the United States a multiplicity of programs administered by several departments and agencies add their weight to the transitional process. The recently created Department of Regional Development in Canada provides further evidence of the tremendous importance the federal level attaches to the comprehensive approach.

With each passing month the true direction becomes clearer. Attraction of industry is seen as an inadequate goal. Attraction of capital investment for the development of an area's potentials is emerging in the public mind as the true objective of Industrial Development. Manufacturing is *a* target—but not *the* target. The local community is *a* concern—but not *the* sole concern. Programs can no longer be insular. They must be comprehensive. Industrial Development, we North Americans now discern, is the heart of total development. With this awakening we now must adjust our programs basing them no longer in a tactical context, but rather in the strategic, broad-scope concept that is the accepted meaning of the capital I and D of Industrial Development. **END**

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SOUND OFF TO THE EDITOR

IS GOVERNMENT SPENDING TOO MUCH MONEY?

Federal spending has soared upward year after year with a proliferation of programs that delve into almost every aspect of life, bringing inflation-causing deficits.

For years there has been some grass roots grumbling that federal spending should be slowed. A milestone was reached when Congress set a $6 billion reduction in spending as the price for this year's tax surcharge.

But the hassle over where to cut and how to cut even this much from a budget of well over $180 billion clearly shows the conflict over cutting back.

Some contend that the only way to really control federal spending is to write in tough limiting provisions on the budget, set a ceiling on spending. Some state laws fix limits that prohibit any deficit spending.

Some officials claim this flies in the face of reality. Changing needs and new public demands must be met with more spending, they say. That demand for services that cost money doesn't jibe with economy cries.

The mood of America today definitely seems to favor economy in government spending, and economy is bound to be a hot issue in the new Congress which meets in January.

Of course the government has to spend money. And it has to have some flexibility. The argument is over whether it is spending too much on programs that don't do the job and whether there is needless waste and duplication.

Is the government spending too much of your money?

What do you think?

Jack Wooldridge, Editor
Nation's Business
1615 H Street, N.W.
Washington, D.C. 20006

Is government spending too much money? ☐ Yes ☐ No

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READERS' RESPONSE:

CHANGE NEEDED IN PICKING POLITICIANS

There's a definite feeling among readers of NATION'S BUSINESS that Presidential nominees should be picked by some method other than the present nominating conventions.

"Decide by popular vote," is the consensus of reader response to our Sound-Off column and the national Presidential primary is the most suggested manner.

"Pick them at primaries like other candidates," writes William S. Winfrey, an attorney in Princeton, W. Va.

But not all agree.

Grover H. Cole, president, Life Assurance Company of Carolina, High Point, N. C. says, "No." However, he adds, "I believe the number of delegates to a national convention should be greatly reduced and their procedures streamlined."

C. J. Swalen, vice president, Pako Corp., Minneapolis, Minn., believes the "electoral college is outmoded." He suggests "a national primary election for both President and Vice President." With "separate party tickets, of course."

Alvin I. Greenberg, treasurer, Belscot Retailers, Inc., Chicago, Ill., agrees. He suggests that the election itself be held on Sunday, with balloting only for President and Vice President, and for Congressional candidates. "Limit the campaign," he adds, "to a maximum of eight weeks between the primary and election day."

"Let the will of the people prevail," John H. Garwood, vice president, management services, Vickers Division of Sperry Rand Corp., Troy, Mich., urges. He advocates national primaries to select nominees and election by direct popular vote—eliminating the electoral college.

J. A. Legg Jr., vice president, D. A. Murray Co., Inc., Tipton, Ind., would like "a direct national primary to replace national conventions for the purpose of Presidential nominations."

"Fixing of conventions, and switching of votes by state delegates at the national convention, is repugnant to the voters at home," R. N. Montgomery, manager, Diamond Shamrock Corp., Belle, West Va., comments. He, too, believes the nominees should be chosen by popular vote.

Mrs. J. O. Eaton of Eaton Yacht Sales, Essex, Conn., feels "the electoral system has been outdated for centuries, not just years. This year the Presidential election is a farce—our image couldn't be worse, and we add the mess in Chicago to it. It's about time to let the American people choose whom they want by way of the popular vote."

Many thoughtful readers suggested alternate means to the national primary as the best method for choosing a nominee and others felt the present system was neither bad nor to blame for voter unhappiness.

"While our present system has certain drawbacks," says Albert B. Winschel, executive vice president of the Eureka Federal Savings and Loan Association in Pittsburgh, "I believe that under our system of government, a constitutional representative republic, it is the best method. Our party system has served us well in the past although we now have need for a third conservative party."

"What about adopting a system similar to that used by the English," suggests W. B. Hovey, senior associate of Frank J. Pepper, Inc., Miami, Fla., realtors. "Elect a party leader from either the House or the Senate as President. Certainly a man's vote at the Congressional level is more effective than on the Presidential level as now in effect."

"I do not believe the current convention setup is the fair way," says R. Larry Wallace of Dallas, "however a national primary could present new problems. But it certainly would be a more democratic way for each party's followers to have their say in who would be the party choice."

"Democrats, Republicans and Independents should compile a list of prospective nominees and present them in a state primary compulsory in every state," suggests Mrs. R. M. Jones of Brown-Forman Distillers Corporation, Louisville, Ky. "The registered Democrats, Republicans, and Independents should then vote from the list presented by their respective party for the man they prefer. Accumulate to find the majority vote. The national favorite should then run for President and his runner-up as Vice President against his counterpart in the other parties."

"There should be a national primary in which each party chooses their candidates by a majority vote," believe S. Ausnit of Flexigrip, Inc., Orangeburg, N.Y. "But to qualify as a candidate for the Presidential election, each chosen candidate must have a minimum percentage of the total vote cast."

"I think a lot of people are discouraged from voting because they feel they have to pick the lesser of two evils," writes Robert Battini of U.S.N.Co., Inc., Cleveland. "A national primary, in my opinion, would generate more interest in the election of a President."

In calling for a change in selection methods, Ben Clark, division sales manager of the Arkansas Power & Light Co. at Harrison, Ark., says, "There is too much chance today for 'deals' to be made. Delegates may vote for a man and the population of a state be 75 per cent against this man and what he stands for. Popularity should rule, then the majority will get the man they want and the candidate will have to go to the people and convince them of his worth."

Thomas B. Sharretts, a certified public accountant in Brownsville, Tex., suggests the two party system is basic to our national political system but that it needs to be formalized, perhaps like this:

Set up a general voter registration early in each even numbered year with party preference indicated. The two parties receiving the most preferences nationwide would then become the two parties for that election year and for any elections in the following odd-numbered year.

He would also provide for a national primary election day.



STARVING TO DEATH IN WIBAUX?

"Heck, no," residents of this little Montana county angrily chorus, but Orville Freeman's famine-fighters insist on force feeding them anyway

Out where men are men, the antelope still play and skies are hardly ever cloudy, the area's biggest squabble since Sitting Bull and Custer had it out is underway.

It's Wibaux County vs. the U. S. Department of Agriculture.

And it's over a controversial "citizens" survey that claimed there is hunger and malnutrition in 256 counties across the nation, including Wibaux.

Starving people? In a county of 1,698 people?

"Heck, no!" thundered county and state officials. Montana's U. S. Senators and the area's Congressman spread into the *Congressional Record* letters and news stories of the outraged cries from Wibaux, 890 square miles of ranch and farm and oil.

"I'll give $100 to charity for any one who can find a single person who has suffered for lack of food, clothing, shelter, hospital or medical care," offered County Health Officer Dr. Clarence A. Bush in a letter to the U. S. House of Representatives Agriculture Committee.

"For 25 years, I have known almost every resident . . . and no such condition exists or has existed in that time."

The House Committee disagreed with that survey, too, Chairman W. R. Poage of Texas saying his own survey showed there was very little evidence of any actual hunger in the nation, although there was some malnutrition caused largely by poor people's ignorance.

Many of the 256 counties protested what that "citizens" group said just wasn't true, but none louder than Wibaux.

Gov. Tim Babcock of Montana injected the squabble into the Republican National Convention at Miami Beach in August. Introducing G.O.P. candidates running for governor this year, he thundered:

"You and I want to put an end to a Washington regime that ignores a state's self-analysis of its own problems and how to cope with them."

He said he had protested to Agriculture Secretary Orville Freeman the branding of "one of Montana's oldest, but proudest, counties" as a place of hunger.

"The county commissioners protested, as did the mayor. We were completely frustrated in our sincere attempts to reason with the present Administration and the end result is that they ultimately moved in with food for people Washington alleged were hungry."

Agriculture Department regional officials met with state and local authorities in a series of meetings. They claimed 34 people would be eligible in Wibaux County. County officials disputed the number. A state welfare department official listed only 26 persons in the county in July receiving any form of welfare, including 17 on old-age assistance.

When the survey was released in April, the Agriculture Department moved to set up distribution of surplus commodities in Wibaux and some 300 other counties. They claimed their action was based on a federal survey of the 1,000 poorest counties of the country and Wibaux rated No. 835.

Local authorities asked that a current survey be conducted to prove whether Wibaux had hungry people and county commissioners said they weren't about to cooperate until somebody proved it was so.

Sen. Mike Mansfield of Montana, the Senate Majority Leader, protested he was fully in accord with the Agriculture Department's desire to feed truly hungry people but said he thought it "should be a little more careful and a little more thorough in checking out the local situations."

He proposed the Department withdraw its people until "there is a real demonstration of need."

Mr. Freeman countered in a letter, printed in the *Congressional Record*, that the best way to find out whether there were hungry people "is to offer to accept such applications in the county from persons who feel they are in need of more food than they can buy."

Even though Wibaux County Commissioners were mad as wet hornets and refused to cooperate,

Agriculture Department officials set up shop in downtown Wibaux, population 800. They bought a half-page ad in the weekly *Pioneer-Gazette*, listing foods offered to eligible people and inviting citizens to come in and see if they were eligible. The state welfare commissioner of Montana reported nine families received food aid. An aide of the governor said "the first 15 people who applied were turned down. Five had assets of more than $250,000. But they were unemployed."

Mayor Wayne P. Marcus, in an open letter in the *Pioneer-Gazette*, said he didn't see how anyone could call Wibaux, the township and county, a poverty pocket.

"Look at the beautiful churches, new high school, our nice courthouse and the many fine homes and parks. Our people are well dressed, mannered and healthy looking. We have almost 700 registered passenger cars with only 1,600 people in the county and many of them are new or almost new."

Letters to the editor of the *Pioneer-Gazette* applauded the stand of the county commissioners.

What makes the folks of Wibaux County hot under the collar is this: It's a small county. It has little transient population. Everybody knows everybody. Its people have lived together through boom or bust. "Nobody in this county is going to let anybody ever go hungry," says Frank Datta of the weekly newspaper. "You just don't do things like that in this part of the country." It's the slur on their good name that gets Wibaux citizens' dander up. Some were so riled they got an old-fashioned wagon and parked it on the courthouse lawn with this sign:

"The town of Wibaux was born in 1893 and lost its freedom in 1968. The county officials were overruled by federal government employees after Wibaux suffered the humiliation of the false report of hunger and malnutrition in their county and the feds are forcing in a commodity distribution center." **END**

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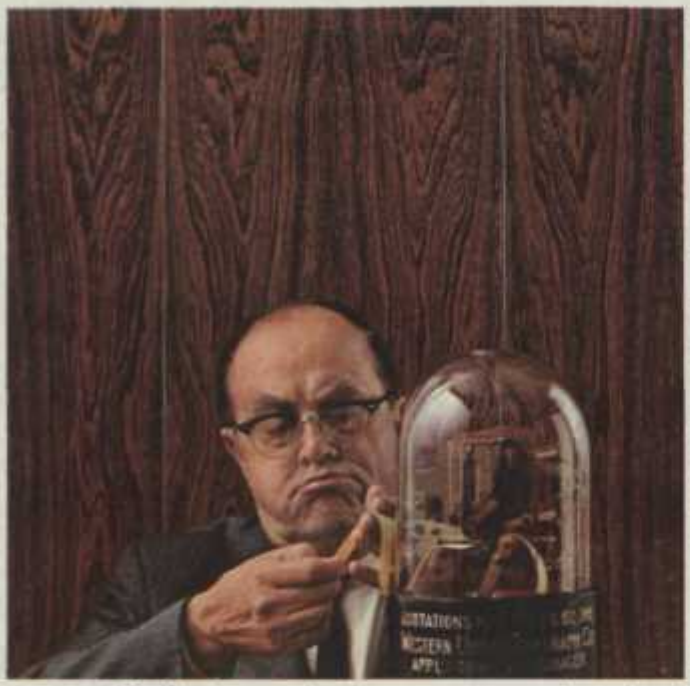


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